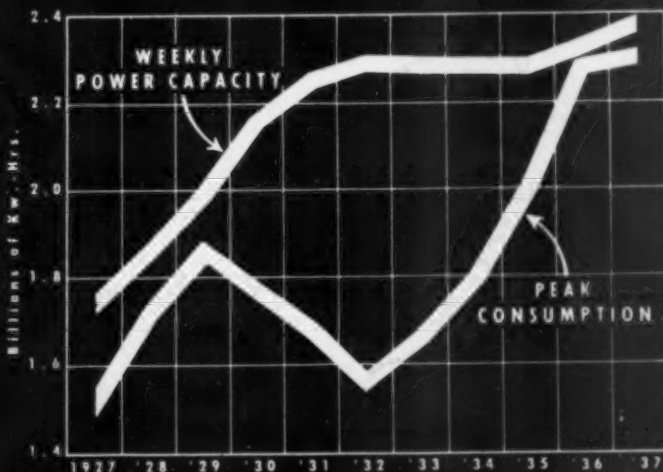


NOV. 20
1937

NOV 32 1937

BUSINESS WEEK


BUSINESS INDICATOR



RECOVERY REJUVENATOR—Normally, power companies keep capacity two years ahead of peak consumption. But in recent years fear of government has retarded normal expansion, until the safety margin is dangerously thin. Now President Roosevelt, seeking a recovery stimulus, urges the power companies to release a billion dollars in dammed-up expenditures.

McGRAW-HILL
PUBLISHING
COMPANY, INC.

20 CENTS



Republic Steel Taps Earth's TREASURE

in the World's Deepest Oil Well

Down through the earth, through stratum after stratum of soil, sand, muck and rock, drill bits of Republic steel bored to a depth of almost two and one-half miles to complete the world's deepest oil well.

Deep down in the earth . . . up in the sky on the world's tallest buildings . . . in championship cars on world-famous speedways . . . in the plane that broke all records for coast-to-coast flight . . . in the largest American-built ocean liners . . . in the world's longest single suspension bridge span . . . in the longest gasoline pipe lines . . . in record-breaking motor boats . . . in luxurious streamlined trains . . . and in industry of every kind . . . the performance of Republic steels has created confidence in Republic products.

To meet your needs in steel, efficiently and economically, will be the aim of Republic metallurgists — if you will but consult them.

Republic Steel
Corporation

GENERAL OFFICES . . . CLEVELAND, OHIO



NEW BUSINESS

Nearly every year some industry discovers that it hasn't been taking proper advantage of the Christmas season to push its products. Because it's always been a traditionally dead period in the millinery industry, the trade looked askance at St. Louis merchandisers when they began to do special Christmas promotion for millinery several years ago. The move was so successful, however, that the Millinery Stabilization Commission in New York took it up last year, sending out showcards, gift coupons and promotional literature, and the result so pleased retailers and manufacturers that this year the commission is getting ready to do a real hang-up job on a campaign for "millinery as gifts."

Thomas J. Watson, president of International Business Machines Corp., arrived back from Europe recently with plans for further expansion of I.B.M.'s foreign business, which showed a 50% sales increase for the first nine months of this year as compared with 1936. "World trade," Mr. Watson said, "is the surest road to world peace. . . . With proper cooperation among the different business, political, social, and religious groups within countries, and an honest effort on the part of nations to understand each other and work together, whatever differences may arise will straighten themselves out."

Erwin M. Frey & Associates of 274 Madison Avenue, New York, public relations consultants, announce a new service for advertising agencies, "The Clearing House for Authorities," whereby they will have on tap leading authorities in such assorted fields as home economics, interior decoration, beauty, fashions, child training, medicine, public health, psychology. The authorities in stock will conduct laboratory and clinical research, test new uses for products, advise on claims made for the product, make personal appearances, write booklets, or aid in any way to promote the product.

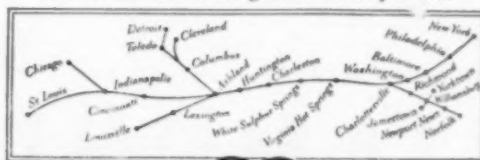
Come next April and Saks-Fifth Avenue will open its newest branch store in Beverly Hills, Calif. Architect's plans call for a four-story building with open-air garden terrace and solarium. Debs, subdebs, and matrons of the Los Angeles sector will be intrigued to learn



VETERANS *with Service Stars and Stripes*

The privilege of serving America's travelers makes trainmen proud to wear the uniform of Chesapeake and Ohio—and doubly so when it proclaims them to be veterans of The Railroad with a Heart! Five years—twenty-five years—fifty years of active transportation duty have earned them distinguished service stars and stripes that command the respect of their fellow employees and the public alike. For seasoned travelers have learned that long experience has bred in these men a special aptitude for making people truly comfortable on trips—and folks have been quick to appreciate it. Find out for yourself the next time you travel between East and West—take Chesapeake and Ohio . . . you'll *Sleep Like a Kitten and Arrive Fresh as a Daisy.*

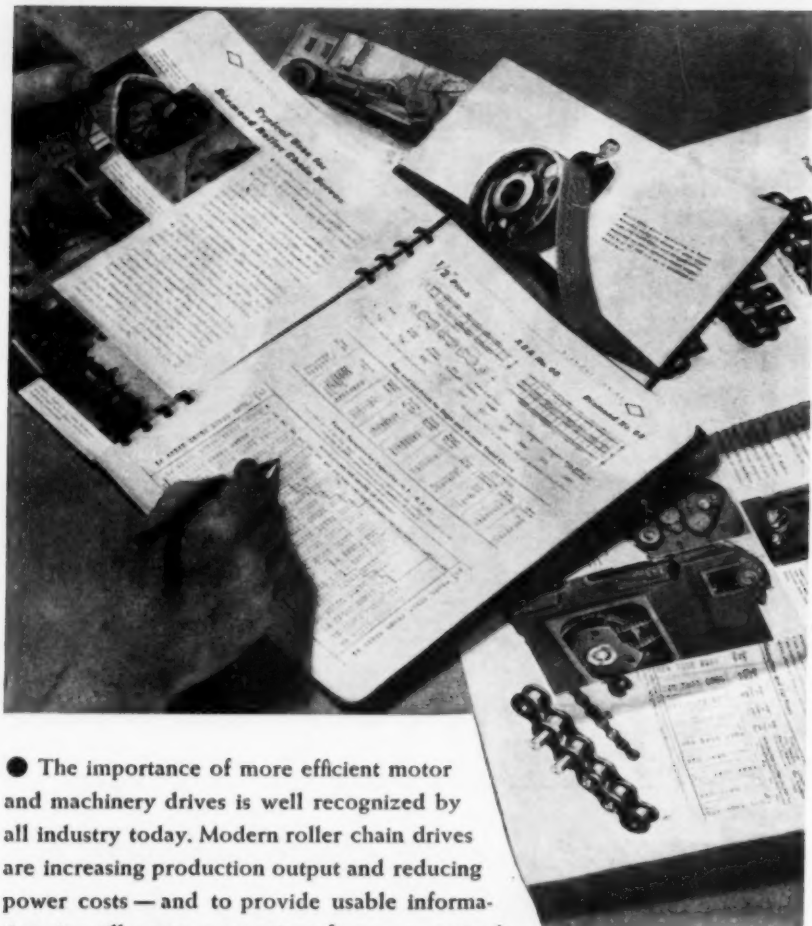
THE GEORGE WASHINGTON • THE SPORTSMAN • THE F. F. V.
America's Most Distinguished Fleet of Trains



"The Railroad with a Heart"
CHESAPEAKE and Ohio LINES
SLEEP LIKE A KITTEN

BUSINESS WEEK (with which is combined The Magazine of Business) November 20, 1937, No. 429. Published weekly by McGraw-Hill Publishing Company, Inc. Publication office, 39-129 North Broadway, Albany, N. Y. Editorial and executive offices, 330 W. 42nd St., New York, N. Y. James H. McGraw, Jr., President; Howard Ehrlich, Executive Vice-President; James H. McGraw, Honorary Chairman; Glenn Griswold, Vice-President and Publisher; R. R. Putnam, Treasurer; D. C. McGraw, Secretary; A. W. Morrison, Circulation Manager. \$5.00 per year in U. S. A., possessions, and Canada; \$7.50 per year in all other foreign countries; 20¢ per copy. Entered as second class matter December 4, 1906, at the post office at Albany, N. Y., under the Act of March 3, 1879. Printed in U. S. A. Copyright 1937 by McGraw-Hill Publishing Company, Inc.

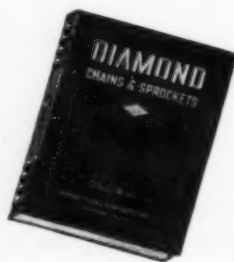
TO HELP YOU SELECT THE MOST EFFICIENT DRIVE



● The importance of more efficient motor and machinery drives is well recognized by all industry today. Modern roller chain drives are increasing production output and reducing power costs—and to provide usable information in still more convenient form—a revised and greatly augmented catalog has been compiled.

You will find—how to select modern higher efficiency power transmission chains for various speeds and capacities—how to select chains for machinery applications—how to maintain higher production speeds—also, full information on stainless steel and other corrosion-resistant chains—sprocket selection tables, etc.

New catalog 617 will give you correct answers to your drive problems quickly. A copy will be mailed to you on request... DIAMOND CHAIN & MFG. CO., 439 Kentucky Ave., Indianapolis, Indiana, *Offices and Distributors in Principal Cities.*



DIAMOND

ROLLER CHAIN

that new merchandise will be introduced at Beverly Hills in advance of its appearance in New York.

All the important industrial, trade, commercial, and professional shows to come in 1938 have been listed by Exhibitors Advisory Council, Inc., 330 W. 42nd St., New York, in its "3rd Annual Show Schedule." Non-member firms may secure copies for \$5 each.

One variation of the customer-golf theme comes from this fall's open hunting season. Briefly, an account executive and his prize client flush a pheasant. Both fire. Account executive knows darn well that the bird is his'n, but gives due credit and the bird to prize client. Executive remembers that his youthful son is collecting old shells and asks client for his shell. Client breaks gun, finds shell has misfired.

More than 59% of 506 manufacturers of machinery and metal products, reporting their engineering activities in *Product Engineering* for November, are now developing new designs. 43% expect to increase their engineering design activities during the coming year. Of 290 companies which increased their design staffs during 1937, 74% expect to expand them still further in 1938.

As soon as the snow falls in sufficient quantity at Lake Placid, N. Y., about 200 key men in New York City's snow-fighting crew are going up there to learn how best to operate their brand new mechanical equipment for snow removal. If snow should strike both places simultaneously, there will be no danger of a shortage of men in the big city, because they are sending the potential socialites up 30 at a time.

Three books top the week's grist of business literature: (1) "How to Deal with Organized Labor," by Feller and Hurwitz, published by Alexander Publishing Co., 60 Wall St., New York, 678 pages, \$6.50; (2) "Managerial Control," by Glover and Maze, published by Ronald Press Co., 15 E. 26th St., New York, 574 pages, \$4.50; (3) "An Index to Business Indices," by Davenport and Scott, published by Business Publications, Inc., 332 S. Michigan Ave., Chicago, 187 pages, \$3.

Recently, when the boys and girls of Airtemp, Inc., Dayton, O., received their salary checks, they found little flags with the legend, "Plymouth Builds Great Cars," neatly imprinted upon them. Now they are thinking of petitioning their principal, Chrysler Corp., to add a suitable message to salary checks for Plymouth boys and girls—something like, "Cool for Profit with Airtemp" or "Airtemp Builds Darn Good Machinery Too."

WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)—Tax readjustment to aid business recovery is rolling like a snowball on Capitol Hill. It has picked up momentum in the House Ways and Means Committee, gathered terrific speed in the Senate, where a dozen important Democrats, eight on the Finance Committee, demand immediate action during the extra session. This move may fail of achievement but every indication now is that by the time the final form of the measure is written this winter the snowball will have become an avalanche, crushing efforts of the President to check and guide it, leveling almost to its foundations some of the carefully designed "economic planning" by which the New Deal seeks to obtain, via the tax route, more complete domination over private business.

Reform Intention Thwarted

Roosevelt desires only to relieve small business. In fact, viewed in one light, his proposals manifest much more of a reform spirit than of encouragement to business and employment. But because his proposals have been vague, many New Deal hangers-on could join the conservative tax revision drive and help to make it the irresistible power that it is without apparently bucking the party leadership. Conservatives who really don't care what the President wants are snapping up this advantage, giving out interviews approving the Administration "stand," and making it far more difficult for him to put the brakes on as the drive rushes past both White House and Treasury goals and smashes into anti-New Deal territory.

Logrolling—Backwards

Budget balancing as an incentive to business confidence is regarded in the abstract as second only to the elimination of crippling taxes, but Congress and the President will not see eye-to-eye on how it shall be accomplished. Every Senator and Representative has his own ideas as to where the pruning knife shall be applied. Therein lies the difficulty. To have any chance of success the process must be something of a logrolling, pork-barrel bill with reverse English. "I'll give up this if you'll give up that," instead of "I'll vote for your appropriation if you vote for mine." This has never been done before.

New Tax for Every Cut

Regardless of the outcome on this front, Congress must impose a dollar of new

taxes for every dollar of tax relief it grants. Exact figures coming out of the House Ways and Means Committee are not important in this respect. They merely show the determination to replace one tax with another. Actually, the House may go further than its committee in tax-slashing. The rank-and-file of Congressmen are not exposed to adroit arguments by skillful Treasury experts for holding revenues at present levels. They only know what their important constituents have been telling them is the reason for so much unemployment—that taxes are fettering business. The house may vote like its old sheeplike, follow-the-leader self, or it may revolt. Whatever happens there, however, the Senate will write a bill which will be much closer to the final conference draft, the draft that will become law, than the House measure.

What New Taxes?

Just as tax-easing will have assumed large proportions by the time the final bill passes, so will the demand for new levies swell. Some of these may be aimed at smaller incomes; few of them will hit at the very big incomes. As a matter of fact, if the Treasury had its way, some of the higher brackets would be reduced because it means more revenue, but this is not good politics. More will be laid on partially tax-exempt incomes, counting the tax-exempt portion to determine the surtax brackets for the remainder. But much of the boost must be directly on business. This will probably take the form of increased normal corporation income tax levies.

Scrap over Capital Gains Levy

Treasury watchdogs are holding out against repeal of the capital gains tax, and tremendous pressure is growing to use this as a means of stimulating building construction. Large-scale housing operations can be launched much more readily, it is contended, if the tax is confined wholly to speculative profits on assets held less than one year. Loss of revenue due to removal of the tax from the sale of assets held more than one year would be largely offset, it is claimed, by taxes coming from increased transfers of stocks, bonds, and real estate, incident to the release of millions of dollars for the construction industry.

Tackling "Trusts" by Taxes

Discriminating use of the tax laws to favor small business, as proposed by the President this week, is evidence of the broad scope of the administration's current study to bring all laws to the sup-

port of a drastic antitrust policy. When further means along the same line are devised they will be urged as an aid to business. The Administration is shooting at the "850,000,000 units" which it blames for bringing on the present condition of business. In the meantime, a larger appropriation for anti-trust law enforcement is urged by Attorney General Cummings, following a discussion with the President on the progress of the proposed revision.

A.F.L. Hits Wage Hour Bill

Administration leaders fear that the runaway spirit evident on taxation will spread to the farm and labor bills, already having serious trouble in committee, when they get to the floor. While A.F.L. leaders met in conference this week on the legislative program for the session, their shoe-burners were pounding from office to office on the Hill urging the business recession as an argument against enactment of any wage-hour bill.

Giving Southerners an Out

Consideration of the anti-lynching bill before any of the major measures affecting business comes to a vote is apt to play into the hands of the conservatives. Shrewd opinion is that the President will be forced to choose sides, will take the anti-lynching side, and thus will provide conservative Southern Democrats, who otherwise might be afraid—on other measures—to follow the Democratic leader, with plenty of excuse for bolting.

Employment Service Hampered

Layoffs are showing up in operations of the U. S. Employment Service. Job applications increased 4.4% in October, the first rise since June. Placements in private jobs dropped 12.3%, reversing the pick-up scored in the two preceding months. Prejudice of employers against relief workers is hampering the Employment Service. Trimming of WPA rolls this year could have been done mainly by refusing to put on new applicants, but in some states it has been necessary to prune the rolls by dismissals, and always the poorest labor has been hardest hit. This has added to the direct relief load. WPA is running a survey to find out how its discharged workers are faring.

No Continuing WPA Policy

Automatic adjustment of relief appropriations to changes in the volume of unemployment is heartily favored in WPA, particularly at this time. Duration of unemployment also is a factor

DIESEL NEWS

A monthly column devoted to results obtained with "Caterpillar" Diesel Engines on various power-jobs.

Any Ice Today? Yep, there's ice today and ice tomorrow at the Tuten plant in South Carolina. When water is too low to turn the wheel, an 80-horsepower "Caterpillar" Diesel Engine goes to bat, bats out 15 tons of ice a day, at a cost of 23½¢ an hour for fuel and lubrication. In the milling season, this Diesel also runs a grist-mill.

Under-cover Work. The Austin Silver Mine in Nevada uses a 125-horsepower "Caterpillar" Diesel to drive both an air-compressor and a generator. The engine uses only 2¾ gallons of low-cost fuel per hour and works almost continuously. The main generating-plant at the mill is helped out during peak-loads with another "Caterpillar" unit—a 60-kw. generator-set.

The Daily Grind. 15,000 hours in 3½ years running a complete flour-mill (or sawmill, depending on the season) is the work-sheet record for the 66-horsepower "Caterpillar" Diesel owned by F. Q. Sammon, in Georgia. Total fuel, lubrication and maintenance-cost to date is 24.6¢ an hour. Say it with flour—and Diesels.

Plenty of Grit. On an Arkansas River job, a 125-horsepower "Caterpillar" Diesel Engine drives an 8-inch centrifugal pump, produces 8 cars of sand a day compared to 3 formerly with other type of power. It also pumps sand and water 600 feet through 38-foot lift, compared to 350-foot maximum with former power. "Caterpillar" Diesels Do the World's Work—at less cost.

Investigate the possibilities of these engines for your power-needs. A dealer near you can furnish facts and figures.

CATERPILLAR TRACTOR CO.

REG. U.S. PAT. OFF.

PEORIA, ILLINOIS



**WORLD'S LARGEST MANUFACTURER
OF DIESEL ENGINES, TRACK-TYPE
TRACTORS AND ROAD MACHINERY**

that would have to be considered in adopting such a yardstick. Shoved this way and that by ill-considered and precipitate action by the White House and Congress, WPA follows a zigzag course that has only a remote relation to the trend of conditions. Lack of freedom to follow a continuing policy increases costs, works unnecessary hardship.

Holding Off on Relief

Mayors assembled in Washington this week contented themselves with minor demands for aid in providing air ports, for participation in federal purchasing advantages, interest on municipal bank deposits, and a few other favors. The big question—relief—was postponed for action by its executive committee in January when presumably the cries of the hungry will be more audible.

Setting Cotton Controls

A compulsory baleage quota for cotton will be urged by an apparent majority of the Senate Agriculture Committee. After export and domestic requirements are figured, allowance would be made for a 35% carryover, the total to be apportioned among the states on the basis of their average production for the five preceding years. Each state's quota would be allocated among the counties on the same basis. Every farm tenant, share-cropper and resident family would be allowed five acres as a nucleus and the remainder would be apportioned on a percentage basis.

In the Wake of Sulfanilamide

More than eighty deaths resulting from the marketing of a sulfanilamide preparation assures inclusion of a licensing provision in the food and drug bill to prevent a recurrence of such a calamity and may incidentally be the means of speeding the controversial bill to enactment. Despite stormy disorder prevailing in the senate, Sen. Copeland was able to obtain quick adoption of a resolution requesting the Food and Drug Administration for a complete report, with recommendations for legislation.

Debate Railroad Rate Base

Congress is mildly sympathetic to the railroads' plea that they be allowed a return on the value of their property sufficient to attract investment, but instructions to the Interstate Commerce Commission to make rates supporting such a policy, as suggested this week by the Association of American Railroads, will not get by without reservations that would deprive the declaration of practical effect. Shippers, particularly farmers, have more influence with Congress than railroad investors.

Can a Union Sue NLRB?

In the first court action of a labor union against the National Labor Relations Board, the Commercial Telegraphers,

an A.F.L. affiliate, submits charges hinting at collusion between the board and American Radio Telegraphists Association, a C.I.O. union. The gist of the complaint is that the Board issued an order permitting the C.I.O. union to petition for an election without a hearing on its claim of majority representation. The A.F.L. charges that it has been damaged by the board's action which gives the color of official sanction to its rival. A significant precedent is involved, for the law did not anticipate appeal to the courts by any union other than that which was the recipient of an order. Forced on the defensive, the board claims that in this case the A.F.L. union occupies the same position as an employer, that its action constitutes improper interference with the board's administrative duties.

Mixed Sentiments

Cash-and-carry neutrality advocates are floundering between the devil and the deep blue sea. They are planning more legislation intended to make it more certain that the United States will keep out of war, but their best supporters, the peace-at-any-price pacifists, have suddenly turned militaristic. They would like to see Japan punished. They regard Nippon as a wicked aggressor. A religious note is injected by the fact that many church organizations which have staunchly supported Senators Nye, Clark, and others in their anti-war crusades are bitterly indignant, according to recent statements, because the work of their missionaries in China is being undone by the Japanese.

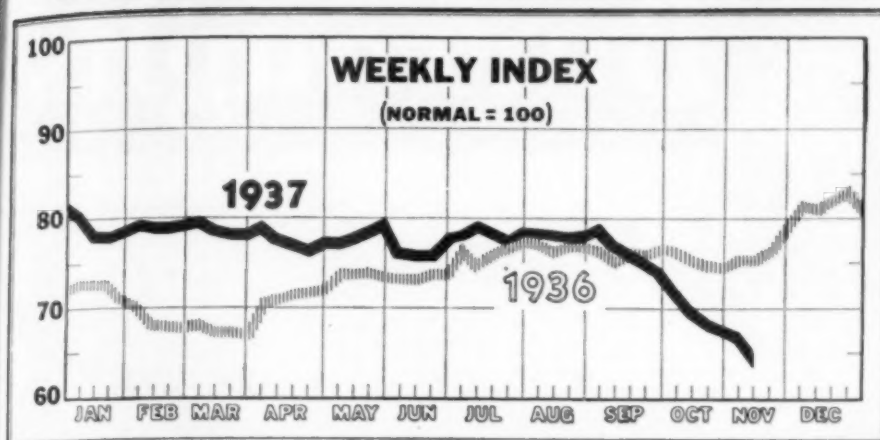
Fight on Czech Shoes

New England congressmen threaten to block the trade treaty with Czechoslovakia if it is concluded before the investigation is completed by Tariff Commission into domestic and foreign costs of cemented shoes. Rep. Wigglesworth of Massachusetts is ready with a resolution to head off this treaty. The Administration's contention that the percentage of imported shoes is inconsequential doesn't impress New England any more than the same argument did on Japanese textiles.

Federal or State Function?

Action of the Federal Power Commission in holding that the Carolina Aluminum Co.'s proposed hydro plant on the Yadkin River in North Carolina must have a federal license is expected to start another long fight to test the extent to which the federal government can stretch its authority. With four unlicensed dams between the proposed development and the head of navigation, the company and the State of North Carolina argued that no federal license was necessary, but the commission overruled them. The courts will have the final say.

BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



The Figures

Latest Week	*65.5
Preceding Week	†67.6
Month Ago	70.1
Year Ago	75.9
Average 1932-36	63.1

PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
*Steel Ingot Operation (% of capacity).....	36.4	41.0	55.8	74.1	40.0
*Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$8,095	\$8,297	\$8,255	\$8,656	\$8,360
Engineering Construction Awards (Eng. News-Rec., 4-wk. daily av. in thousands).....	\$7,089	\$7,507	\$7,366	\$6,846	\$5,442
*Bituminous Coal (daily average, 1,000 tons).....	1,433	†1,514	1,375	1,754	1,341
*Electric Power (million kw.-hr.).....	2,177	2,202	2,276	2,170	1,785

TRADE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Total Carloadings (daily average, 1,000 cars).....	122	129	136	132	109
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	77	81	83	83	70
*Check Payments (outside N. Y. City, millions).....	\$4,001	\$4,579	\$3,811	\$3,733	\$3,049
*Money in Circulation (Wednesday series, millions).....	\$6,564	\$6,565	\$6,585	\$6,393	\$5,678

PRICES (Average for the week)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.92	\$0.96	\$1.03	\$1.21	\$0.92
Cotton (middling, New York, lb.).....	7.97¢	7.92¢	8.55¢	12.20¢	10.72¢
Iron and Steel (Steel, composite, ton).....	\$38.87	\$39.17	\$39.60	\$34.60	\$31.70
Copper (electrolytic, Connecticut Valley basis, lb.).....	11.00¢	11.08¢	12.00¢	10.50¢	8.46¢
Moody's Spot Commodity Price Index (Dec. 31, 1931=100).....	151.2	152.9	169.8	187.8	143.4

FINANCE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Bond Yields (Standard Statistics, average 45 bonds).....	5.38%	5.27%	5.14%	4.16%	5.11%
Call Loans, Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	.90%
Prime Commercial Paper, 4-6 Months, N. Y. City (prevailing rate).....	1.00%	1.00%	1.00%	.75%	1.05%
Business Failures (Dun and Bradstreet, number).....	172	162	174	166	281

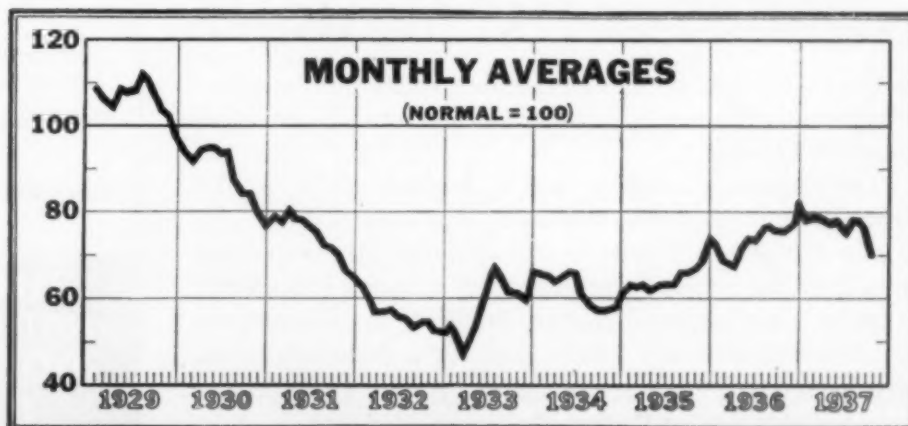
BANKING (Millions of dollars)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,576	2,559	2,558	2,470	2,429
Excess Reserves, all member banks (Wednesday series).....	1,070	1,050	992	2,260	1,659
Total Loans and Investments, reporting member banks.....	21,608	21,654	21,999	22,488	19,747
Commercial and Agricultural Loans, reporting member banks.....	4,780	4,761	4,871	8	8
Security Loans, reporting member banks.....	1,536	1,561	1,834	8	8
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	9,100	9,105	9,050	10,525	8
Other Securities Held, reporting member banks.....	2,908	2,924	2,955	3,199	8

* Factor in Business Week Index. * Preliminary, Week Ended November 13. † Revised. ‡ New Series. § Not Available.

These monthly averages are merely simple averages of each month's weekly figures of Business Week's index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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NEW FANFOLD MACHINE

Burroughs



ELIMINATES ALL NEEDLESS COSTLY MOTIONS

Users of fanfold machines are amazed at the simple, automatic action of this remarkable new Burroughs Fanfold Machine.

They quickly realize that it cannot waste costly time—that it does not waste physical effort.

See for yourself how it will enable your operators to sustain high-speed production with much less effort, thereby lowering your costs of handling fanfold or continuous forms of any kind. Ask for a demonstration. **BURROUGHS ADDING MACHINE COMPANY**
6031 Second Boulevard, Detroit, Michigan

JUST TOUCH ONE KEY—

Carriage Opens
Automatically!

Forms are Released
Automatically!

Carriage Returns
Automatically!

Carbons Shift
Automatically!

**Then—as the operator removes
the completed set of forms—**

New Forms Lock in Place
Automatically!

Carriage Closes
Automatically!

**THE MACHINE
—NOT THE OPERATOR—
DOES MOST OF
THE WORK**

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THE BUSINESS OUTLOOK

BUSINESS watched Washington this week and received convincing assurance that the Administration will agree to tax relief and that Congress will insist on it. But a complicated tax law cannot be put through in the few weeks of the special session, though a beginning can be made in drafting the measure. Meanwhile, developments on the economic front were not such as to arouse enthusiasm. The seeming stability of *Business Week's* index vanished when virtually all items moved downward again. Steel operations dropped to 36.4% of capacity. Construction activity is slow. Coal production lacks its customary vigor for this time of year, both because the weather has been unfavorable and because business requirements have fallen off. Electric power consumption, too, failed to display the usual autumn rise, and in the last three weeks has actually been turning downward until it is practically on a par with last year's output. Commodity prices continued to waver.

Estimating Christmas Trade

Reappraisals of the Christmas trade prospects are being made each week, though the possibility of any sudden reversal in security, commodity, or productive markets makes every estimate still very tentative. At the moment, industrial Eastern states will count themselves lucky to equal last year's volume, while the better situated agricultural states still look for some increase over last year, but a smaller one than they expected a month ago. Christmas Club funds to be distributed shortly will be 10% smaller than those of 1936 and will go to 900,000 fewer persons.

Textiles, Clothing, Hosiery

Cotton textile markets continue in the doldrums. Raw cotton prices have been moving in a narrow range of late, but readjustments are still being made on yard goods. Mill curtailment is gaining momentum. October cotton consumption fell 19% behind that of a year ago. September was only 4% behind. Wool consumption in the apparel field is running behind last year, and the margin of gain that existed at the end of the first nine months will be eliminated before the end of the year. Men's clothing manufacturers report that the sales for the spring season are late by as much as two to three months. Recommendations are going

forward to hosiery producers to curtail activity after the holidays in view of the heavy shipments in the first half of 1937.

Auto Production and Sales

Ford is still producing an abnormally small number of cars for this time of the year, handicapping dealers in promoting the 1938 line. General Motors and Chrysler continue to curb new assemblies, as the sales picture remains clouded. Estimates in official circles of General Motors, for the industry as a whole, now place next year's sales volume in dollars about 10 per cent under that of 1937, which means an even larger cut in unit sales. Labor disturbances are cropping out in motor plants as work slackens, plans for tackling the unionization of Ford plants are proceeding. Renewal of the union contract with General Motors reached a stalemate this week over the company's insistence on a continuance of the guarantee against unauthorized strikes. An open break would probably not be unwelcome in view of the general business uncertainty.

Hand-to-Mouth Steel Buying

Steel presents no better picture at the moment than any other basic industry. Orders dribble in on a hand-to-mouth basis. Additional blast furnaces have been either banked or blown out entirely. Motor buying lags, and though some buying of rails has appeared, the mills don't look for any important purchases until the new railroad rate decision comes through, presumably granting some increase. Mills have capitulated to the demand of foreign buyers for price concessions ranging from \$5 to \$8. Scrap orders of 500,000 tons for first-quarter delivery abroad have been booked at prices \$5 under that of the last big purchase. Domestic scrap prices are now \$9 under the year's high, but *Iron Age* reports a tendency for some leveling off as dealers begin accumulating tonnage in the hopes of a price rise shortly.

Machine Tool Orders

Machine tool orders from domestic sources have been declining irregularly since the April peak, and last month they stood at the low of the year. Foreign business was also lower than in the preceding month, but again accounted for an unusually high proportion of the industry's sales, or 43%. In view of slackening business of machine tool consumers, the downward trend can be expected to continue a while longer.

Earnings of 361 Companies

Further light on the slowing down of profit gains when compared with last year is presented in Standard Statistics' summary of earnings, by quarters, of 361 industrial companies. These, in the first three months, showed a gain of 54% over the same months in 1936; in the next quarter there was a gain of 22%, followed by one of 19% in the third quarter. Industries like publishing, beverages, food products, household products, containers, medicine, retail trade, shipping, textiles, theaters, and tobacco slipped behind last year's earnings in the third quarter. Expectations are that the fourth-quarter earnings for industrial corporations as a whole will be smaller than last year.

Life and Fire Insurance

Though new life insurance sales last month were somewhat higher than in September, they lagged 2% behind those of a year ago. For the year to date, however, sales have run close to 6% above comparable months of 1936. Fire insurance companies are pleased to find that fire losses this year are likely to stay under those of 1936, which in itself was not a bad year, though higher than 1935. At the end of the first 10 months, fire losses were about \$10,000,000 lower than in the same months of 1936.

Situation in Lumber

Surveying the lumber field at the close of the third quarter, the Lumber Survey Committee found that the major problem of the industry was not any specially burdensome stocks on hand (though these have gained 10% since July), but the sharp drop in new orders that threatens to throw the supply-demand situation out of gear in the fourth quarter. Price stability is a matter of general concern, the committee pointing out that new construction is apparently not stimulated by declining prices, but, on the contrary, it increases as prices advance. Hence the committee recommends that production be brought into better alignment with the current consumption prospects. In the second and third quarters of 1937, both shipments and orders fell below the production rate.

Oil Curb

Texas is taking the lead in curbing crude oil production by cutting total allowable output of the state beginning Nov. 15, and in addition, closing all wells in the East Texas field for four consecutive Sundays beginning Nov. 21.



NEW TIMES REQUIRE NEW METHODS IN YOUR BUSINESS, TOO.

For hundreds of years the simple forge, hammer, anvil method of the smith remained unchanged, but today's complicated industrial methods may become obsolete overnight. No industry or firm is safe from changes, and few managements have the time or facilities to keep abreast of them all. * Successful enterprises have found impartial studies and analyses made by SANDERSON & PORTER to be helpful in charting their

business course. The firm is a partnership established more than 40 years. Its organization includes individuals of widely varied experience, whose composite advice and service are available to clients. Arrangements to have a SANDERSON & PORTER representative call to discuss your problems may be made, without obligation, through any of the firm's offices.



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BUSINESS WEEK

NOVEMBER 20, 1937

Revival Meeting

Senate is likely to force President to go further than he wants to on tax revision to help business. Spending talk threatens budget promises.

WASHINGTON (*Business Week Bureau*)—When all's said and done, the government may add a pinch of spice to give better flavor to the business situation. To the extent that substantial easing up on the undistributed earnings tax may contribute to recovery, Congress—in a ferment to do something and do it quick—will deliver, flouting the President's desire to refuse such relief to all but the smallest corporations. Beneath the excitement on the Hill, however, the feeling grew during the week that Roosevelt in Monday's message to the special session, gave the recession just about as much weight as it warrants at present. Calm appraisal indicates that actually not much legislation is needed to stimulate business and loosen the flow of capital into productive channels. Vastly more depends upon the President's own attitude. He controls the psychological factor that largely determines whether business looks up or down. This has very little to do with actual law-making—apart from tax adjustment, greatly to be desired but

bearing only indirectly on present conditions.

For big business, heavy capital, there is such confidence as it can muster out of the President's intention to bring the budget for the coming fiscal year into balance. Also there's the fact that he didn't bring out from behind the scenes that revision of anti-trust laws which was included in "the program for the immediate future" outlined in his fireside talk of Oct. 13. (But a significant inference may be found in his reference to a further search for additional methods to meet the threat of monopolistic practices to free competitive enterprise. That will come later.)

Burning Candle at Both Ends

In the mood that Congress returned to Washington this week budget-balancing will be a precarious feat. The members will be tempted to burn the candle at both ends; ease up on the undistributed earnings tax, of course, but also revive pump-priming. "What's the hurry about balancing the budget

now?" ask many Senators and Representatives. Tax modification is a good rallying cry but some small businesses would like to see more money turned loose in the sticks. And, while it has not been broadcast, the Treasury maintains that, after paying out only 35% of their 1936 earnings in dividends, small companies paid less tax than they would have paid under the 1935 act.

The House Ways and Means Committee probably will stand by the President's indicated limitations on tax relief if his remarks can be construed to permit a slightly looser rein on capital gains. They are phrased so as to permit him to give ground if necessary. The House probably can be forced into line behind the committee bill, but a revolt is possible. In any case, the Senate Finance Committee, with Chairman Pat Harrison in favor of ample allowances for capital improvements and expansion, will be hard to hold. Present prospect is that the President will be forced to accept part, at least, of the more liberal provisions envisioned by the Senate bill.

A new spending spree by Congress probably can be controlled but, with the prospect of no more revenue, it is extremely doubtful if Roosevelt can cut enough out of farm benefits, public works, road building, relief, and the CCC to assure an actually balanced budget when he submits his figures next

Key Figures in President's 4-Point Program



Sen. George W. Norris



Rep. Mary Norton



Sec. Henry Wallace



Sen. Harry F. Byrd

Harris & Ewing Photos

Regional planning for water power and other natural resources, wages and hours legislation, a permanent farm act, and reorganization of the government's executive branch—these were the points outlined for action in President Roosevelt's opening message to Congress. Vitaly interested are the people above. Sen. Norris is the backbone of the so-called

7-TVA plan for regional development. Mrs. Norton, chairman of the House Labor Committee, is fighting to get the wages-hours bill out of the Rules Committee. Sec. Wallace, of course, is the moving factor in farm legislation. And Sen. Byrd is the No. 1 man in Congress on executive reorganization, though his ideas don't jibe with the President's.



Wide World

NO. 1 QUESTION—In most business men's minds is: "What's going to be done about taxes?" Here are key advisers who will have much to do with answering that question. Left to right, after a Presidential conference: Budget Director Daniel W. Bell; Rep. Fred M. Vinson, chairman of the House subcommittee studying tax proposals; Secretary of the Treasury Morgenthau; Under-Secretary of the Treasury Roswell Magill; Rep. Robert L. Doughton, House Ways and Means Committee chairman.

month for the year beginning July 1. Throwing the cost of the new farm control bill on to general revenues instead of covering it out of processing taxes is still a possibility that would knock budget plans out of whack.

On taxes, the farm bill and wage-hour bill there's substantial agreement in the circle around the White House. The fight for this legislation is with Congress, where leaders who may have personal reservations are doing what they can to push through Administration proposals. On the wage-hour bill, the President ostensibly has given ground. As a psychological factor, this will probably react favorably on the business situation, although it doesn't mean much in actual modification of the bill as reported from the House Labor Committee last session. In allowing differentials to the South, he makes an argument for placing flexible authority in the hands of an administrative agency. (The concept that its opponents have of the bill is, however, much broader than its practical application could be.)

In retaining government reorganization and national resources planning on the program for the special session, the President hopes to restrain Congress from hasty action on business revival measures. These are not good stopgaps, however. Both on reorganization and planning, which involves Sen. Norris' 7-TVA bill, there is still deep opposition to the official plans from old-line bureaus that has made itself felt on Capitol Hill.

Housing Prescribed

White House group works on plans to attract capital into construction of homes under \$5,000.

WASHINGTON (*Business Week Bureau*)—The President is counting heavily on a revival of home-building to carry him over the top. Just how it is to

be stimulated is something else. Four years of almost constant tussling with the problem have done practically nothing to reduce the cost of home ownership or rental. Today Roosevelt's advisers don't see eye-to-eye with each other or with him on what is to be done. However, they all do seem to be agreed that large-scale construction of houses under \$5,000 is the answer to the demand for a program.

With that end in view, the President has directed the group in frequent conference with him to sound the possibilities of attracting sufficient capital at 5% to give residential construction a real impetus; of obtaining a reduction of, maybe, 20% in building materials prices on the promise of substantial volume; of getting the building trade to accept a cut in hourly wage rates if more regular employment is assured.

Cost of Building House

There is some regret in Administration circles that the President permitted the press to report him as regarding building wage rates as an adjustable factor. Critics reply that the cost of building a house is made up 36% of labor on the site, 64% of materials; that a cut of 10% in labor cost would mean only 3.6% in total cost, exclusive of other costs that go into the price to the buyer. This saving is not regarded here as sufficient warrant for asking the building trades unions to take a cut in wage rates, a request that would be politely but firmly refused in any event.

If organization of the industry for large-scale construction can be brought about by drawing more private capital to its support, savings will be realized by volume alone without intervention by the government, according to those who are not in favor of taking this course. Output per man per hour, and not hourly wage rates, is pointed to as the critical factor in labor costs. The

building mechanic on a job, with no more work ahead of him when that is done, will make it last as long as he can. But if there's more work ahead, he may speed up. Large-scale operation also will reduce material costs, it is argued. The contractor who goes into building in a big way can get better prices with none of the fuss attending Administration efforts to force a cut.

There was a meeting at the U. S. Chamber of Commerce this week which passed no resolutions but got down to a brass-tacks discussion in an effort to find out what's holding home-building down. Facts and figures were cited to demonstrate that there is a real opportunity for capital in this field, provided that capital will look for its return not in speculative profits but in long-term investments.

To stimulate rental housing construction, the Federal Housing Administration announced this week a series of new regulations intended to ease and encourage the operation of limited-dividend corporations, permit them to sell houses on long-term with low down-payments. By an amendment that FHA will propose to the National Housing Act, insured mortgage financing of large-scale operations, now confined to limited-dividend corporations and public housing authorities, will be extended to other corporations that are prepared to put up ample capital.

Home-Building Future

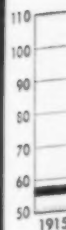
Main obstacles are poverty and high costs, but there are offsetting factors.

MAN of the hour nowadays is the prospective home builder. Both private industry and governmental officials were this week exploring ways of bringing him out of the cyclone cellar into which he seems to have slipped last summer, blueprints and all. Administration leaders have a notion that general business can be brought out of its tail-spin if the home builder can be persuaded to resume operations on a wide scale.

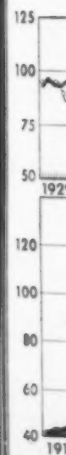
As *Business Week* views the construction field, the following are outstanding stumbling blocks to any residential building boom:

1. Inadequate income. Returns now coming to light from first-hand studies of family income indicate that around 85% of native American families in 1935-1936 had incomes of less than \$3,000. These families are potential customers for homes costing less than \$5,000, and until very recently, new homes in this price class have been practically non-existent.

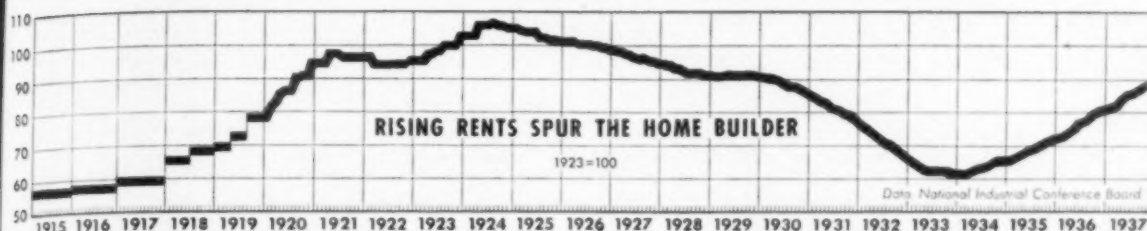
2. High costs. Until lately (see charts, p. 15) construction material prices have been rising almost steadily since the depression low, with such items as brick,



Data: U. S.



WASHINGTON EYES THE BUILDING FIELD



RESIDENTIAL BUILDING LAGS

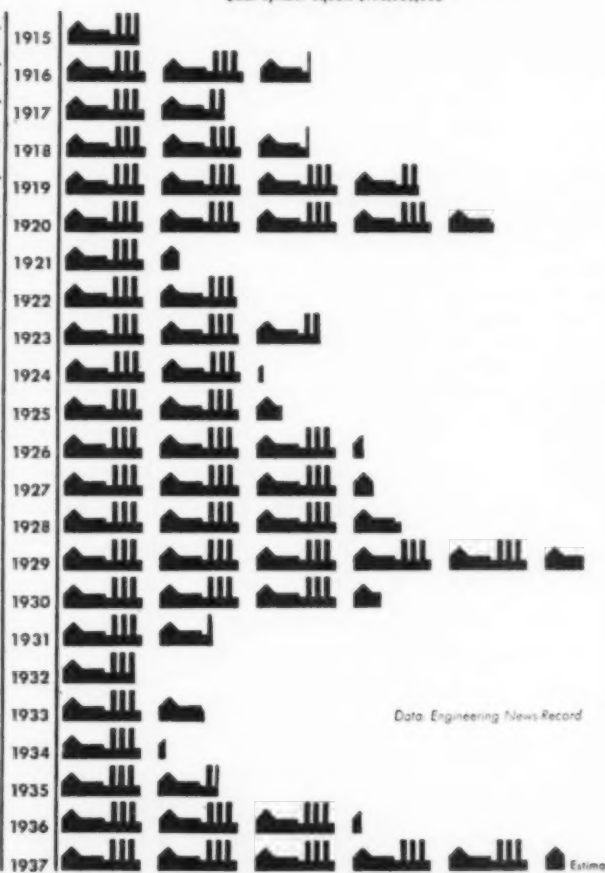
Each symbol equals 100,000 home units



Data: U. S. Department of Commerce

MORE INDUSTRIAL BUILDING AHEAD?

Each symbol equals \$100,000,000



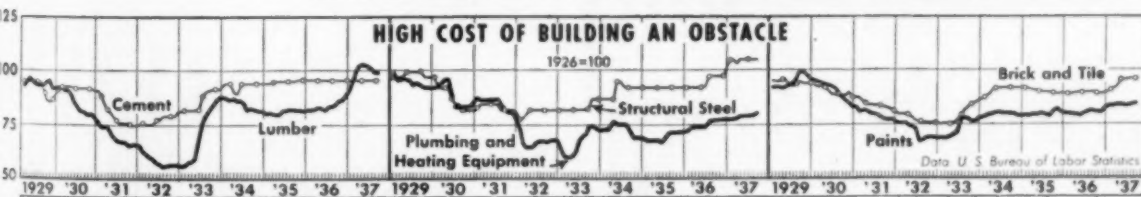
Data: Engineering News-Record

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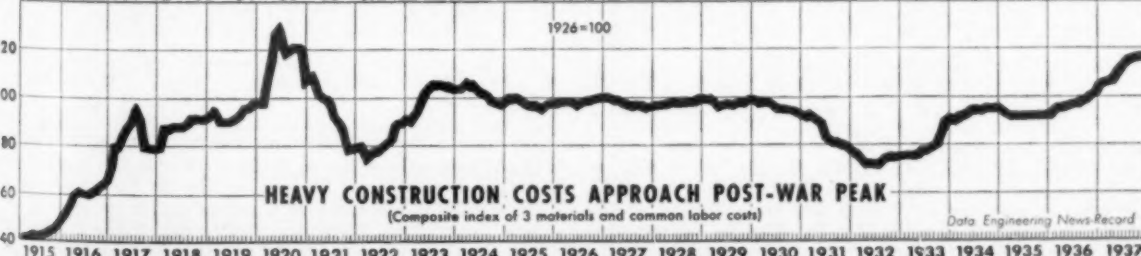
HIGH COST OF BUILDING AN OBSTACLE

1926=100



HEAVY CONSTRUCTION COSTS APPROACH POST-WAR PEAK

(Composite index of 3 materials and common labor costs)



tile, steel, cement, and lumber topping their 1929 highs. Wage rates for both common and skilled construction labor are at new all-time highs. Financing costs, also, have been slow in coming down, and mortgage money at rates of 6% or more are too high to permit the mass market to develop freely.

On the other hand, there are factors tending to offset these obstacles:

1. Rising rents tend to stimulate home-building. Since the low in 1934, rents of wage earners have risen over 42%.

2. Despite improvement in new home-building since the lows of 1933 and 1934, there is still a substantial deficiency in construction. The current setback is only a minor hitch in the long-time building cycle.

3. A new interest in home building has been stimulated by governmental efforts to clear slums, provide other low rent housing, and to aid in the financing of home purchases and home construction.

4. Private industry has taken hold of the low-cost home idea and has demonstrated its feasibility.

5. New materials and construction methods aimed at cutting cost and maintenance charges are being developed, and prices on ordinary construction materials are receding from recent high levels.

Debate Auto Sales

Disbelievers in fall selling now have their innings, but manufacturers don't worry.

DETROIT (Business Week Bureau)—The "you can't sell straw hats in winter" faction in the automobile industry is having its "I told you so" innings right now, with automobile sales slowing up in spite of the show's impetus. This year was earlier regarded as representing the first real test of fall selling efforts—and since Nov. 1, sales have been below last year's levels.

Whether the drop is merely a reversion to the public's normal spring buying habits is still debatable. The general recession has interfered with the test. New cars aren't the only ones dropping off in sales. Used car sales are also quiet. So far the situation isn't serious enough to worry car manufacturers but if the market drops off much more in the next few weeks, dealers won't be in an enviable position. Used car stocks wouldn't be so high if total car sales-movement got back to the rate originally anticipated by sales executives. If sales don't pick up, forced liquidation of stocks will become more prevalent and tend to upset the market.

So far the dropping off in new car sales hasn't been reflected in increased

allowances on used cars in spite of the higher new car prices. But then, dealers have been overtrading pretty much all year and haven't much more additional loss-margin to work on without sacrificing the entire new car profit.

In the meantime—with the whole industry virtually adopting a wait-and-see attitude—production continues to decline. 375,000 is about top expectancy for November now, rather than the 400,000 to 450,000 forecast around the end of October.

Pre-show sales forecasts for the last quarter are now admittedly haywire, but car sales, it should be emphasized, have not fallen off as much as the declining production rate would indicate. The drop in production is due mostly to earlier stocking of dealers and the necessity for slowing up to get in step with retail deliveries. Last year factories were still way behind at this time in supplying dealers.

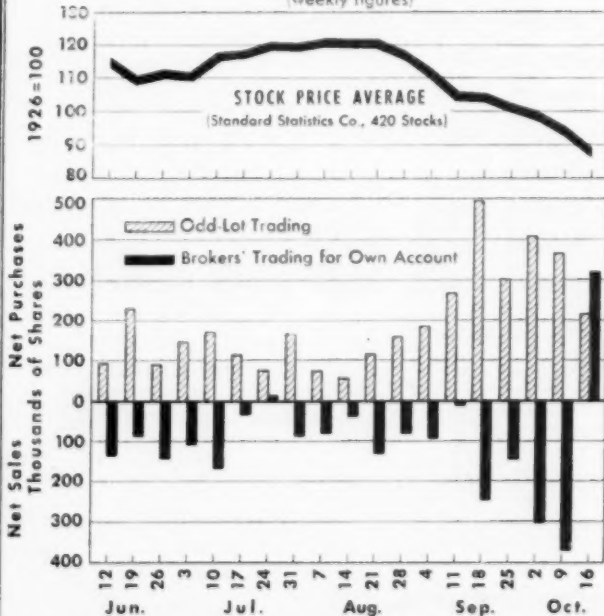
From a long range standpoint, the present car-stock picture, while high, is not unsound. More labor troubles may be in the offing. If strikes are called within the next two months, the industry will be ready for them. Most manufacturers would almost welcome the opportunity of shutting down temporarily and letting dealers reduce stocks which have accumulated.

Thus, Hudson last week preferred to

THE LITTLE FELLOW IN THE MARKET—HE BUYS, AND BUYS, AND BUYS

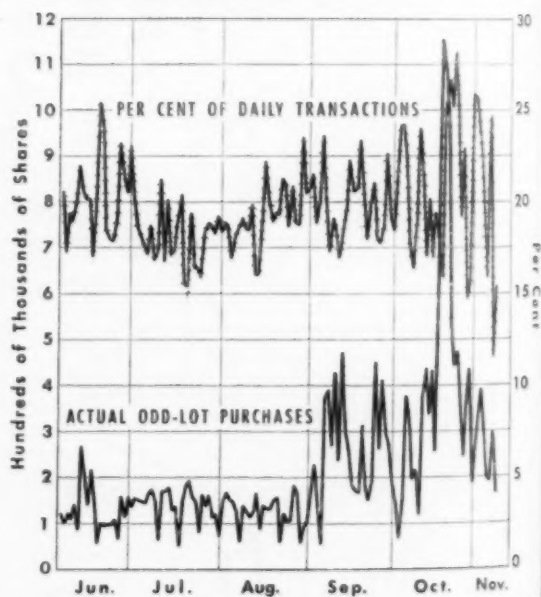
Public Absorbs Stock Sold by Brokers

(weekly figures)



WHOSE STOCK MARKET IS THIS?—On the buying side, as prices tobogganed in September and October, was the "little fellow"—the odd-lot buyer. Selling was the so-called professional, up until the week ended Oct. 16, when he flopped over onto the buying side. The chart on the left contrasts operations of big and little traders. That on the right shows the sharp rise

Odd-Lot Purchases—20% of All Trading



Data: Securities and Exchange Commission.

© BUSINESS WEEK

in odd-lot purchases late in October, when buyers sought bargains on the drastic break. The upper line in the right-hand chart traces odd-lot purchases as a percentage of all buying on the New York Stock Exchange—transactions which average about 20% of all purchases. The little fellow bought one-fifth of all shares traded, regardless of price trend.



CENSUS CHECKERS GET INSTRUCTIONS—Members of the unemployment census division of New York City receive instructions on the gargantuan job of checking the returns as they come in

Wide World

shut down for the week-end rather than keep the factory open at \$14,000 an hour while awaiting the settlement of a minor dispute in the trim shop. This week most factories ran either four or five days, depending on their own dealers' stocks. Next week should see most plants down to three days of seven hours each.

With car production based on retail sales, and retail sales uncertain, automotive buying today is hand-to-mouth. Long range commitments on parts and materials are unusual, especially in steel purchases, on which there have been few releases of any importance in the past few weeks.

This may in good part be due to the industry's general expectancy or hope of lower prices—although it doesn't expect to reduce prices itself. It's almost impossible to find an executive in Detroit who believes that price-cuts would quickly stimulate buying.

Content with Situation

Statisticians and economists close to the industry are content with the situation. Some of them had been having their own private arguments with high-estimating sales executives prior to show time.

They point out that by the end of this year the "car population" per 1,000 will be on a level with 1929 and that the backlog demand established through the depression years has now been filled—partly by high production and sales, partly by increased car life. The latter is now running nine years as against seven years in 1929, they assert. On this basis, there would be a normal replacement market of 3,000,000 cars, plus a half million for export, plus another half million for growth in two-car ownership and normal increase in population and market.

They are convinced that the industry should shoot at a year-in, year-out average of 4,000,000 cars. Up to now, sales

have been running far in excess of this. The quicker sales get back to normal the better they will be satisfied for the long pull.

Supporting the contention that the drop in production is only to be expected, now that manufacturers have caught up, the Automotive Parts and Equipment Manufacturers Association reveals that employment in the parts industry for the four weeks ending Oct. 16 was 29% over 1929 and 19% higher than last year. Parts stocks along with cars reached the highest Nov. 1 total in years.

Union Bucks G.M.

Rejects new agreement with auto company. Labor situation now uncertain.

DETROIT (*Business Week Bureau*)—Having not only unanimously rejected the new General Motors contract agreed to between committees of the United Automobile Workers and the corporation, but also having rescinded its promise to discipline instigators of wildcat strikes, Homer Martin's union has thrown the G.M. labor situation into uncertainty.

At the moment nobody knows exactly what contractual status exists between the U.A.W. and G.M. The company has declared against any further negotiations on a new agreement until the union restores the disciplinary agreement. Presumably the original contract entered into on March 12 is still in effect, since neither side has notified the other of any decision to cancel it. Sixty days must elapse after such a notification before the contract becomes void. Martin's oral statement that the U.A.W. would no longer attempt to discipline originators of unauthorized strikes is expected to spur the more radical elements in the organization to "start something."

Acting as a mild preventive, however, is the generally assumed readiness of the company to meet any labor difficulties with shutdowns.

Under present conditions the complete and unanimous rejection of the new General Motors contract by the specially called U.A.W. convention came as a distinct surprise. The new agreement did not differ widely from the original on the most controversial points. Martin, it is reported, finally recommended rejection himself, although he had been a member of the committee which had negotiated the agreement.

Following notification of the convention's action, both as to the agreement and Martin's guarantee of disciplinary action, W. S. Knudsen, president of G.M., said that while technically rejection put the relationship of the union back to the June 11 basis, "the corporation must insist that the assurance against wildcat strikes . . ." be again acknowledged before further negotiation can take place."

The statement indicated that the disciplinary guarantee of Sept. 11 had had its effect, by admitting improvement since September over last summer, although Mr. Knudsen said that it was still "far from what it should be."

Can It Risk Election?

It is doubtful that executives of the U.A.W. will heed the wish of the convention that the union file a demand with the National Labor Relations Board for sole bargaining rights with the company. The U.A.W. doesn't know whether it can risk an election or not. It would all depend on the kind of election the NLRB would order, whether plant-wide or nation-wide.

In the meantime, U.A.W. cashcounters are anxious about the falling off in dues at some plants. In the past week the union threw a line around one Fisher plant in Flint and barred union men who could not show receipts for dues.

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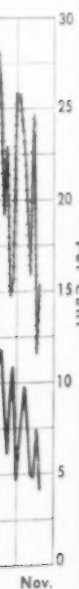
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BUSINESS WEEK

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Jobless Count—and Job-Getting

While Biggers stages his elaborate registration, United States Employment Service prepares to improve its service to business and employees.

WASHINGTON (*Business Week Bureau*)—Apart from its certain influence on relief policy and appropriations and on the disputed wage-hour bill, the nationwide registration of the unemployed this week will hatch all sorts of schemes to push the idle back into industry and trade. John D. Biggers, who staged the big ballyhoo to put the voluntary registration over (*BW—Nov 6 '37, p15*), is himself hopeful that this inventory of idle manpower will put tremendous pressure behind industrial activity.

Connects Men with Jobs

But all the drum-beating intended to reach the ears of millions of people who must register if the count of the unemployed is to be credibly accurate, and all the debate that will follow on what's to be done about it, leaves curiously unmoved the official agency charged with the responsibility of ameliorating the unemployment problem. The function of the United States Employment Service is to connect men with jobs. When private jobs were few it did fine work in the assignment of millions of men to projects of the Civil Works Administration, Works Progress Administration, and Public Works Administration, but in the last couple of years it has done its bit in speeding reversal of the process by developing an extensive system of contacts with potential employers. Its object is to demonstrate to them that it's good business to notify the public employment office when they are taking on more hands, rather than depend on the hit-or-miss method of advertising in the help-wanted columns or posting notices for men to line up at the gate at 9 a.m. tomorrow.

But It Can't Make Jobs

The USES can't make jobs. An employer will not hire men that he doesn't need. But what the Employment Service can do and is doing is to fill jobs quickly, thus bringing in wages for time that otherwise would be lost. More important, it is helping to reduce labor turnover by recommending the best qualified men available for the opening, as such placements are more permanent. It is developing methods of job analysis and worker analysis that put a readily comparable evaluation on both. Thus the public employment offices now located in practically all cities of 25,000 population and up aim to serve the employer as well as the applicant for a position.

The USES operates through state employment services that since 1933

have received financial support from the federal government on a dollar-for-dollar matching basis under the Wagner-Peyser act. To serve as a temporary clearing house for labor on the federal works programs, the National Reemployment Service was set up as a supplementary organization. This is being rapidly disbanded as the number of state offices expand. Florida and Arkansas are the only states which have not yet taken advantage of the Wagner-Peyser act.

This law paved the way for the requirement of the Social Security Act that places administration of unemployment compensation in the hands of the public employment offices. Such statewide organizations have been completed in 22 states, and compensation payments will begin Jan. 1. Inside of another year all the states will have complied, and the USES will have permanent coverage of the unemployed in all occupations in which the jobless are eligible for compensation, because registration at employment offices will be compulsory in future if they wish to collect. In the past it has been voluntary.

Making an Inventory

The USES anticipates that, with practically all idle hands registered on its rolls, employers will make greater use of public employment offices when they are taking on men. Meantime, the USES is making a periodic inventory of its present active file of 4,636,000 applicants according to age, sex, color, oc-

cupation, industry, and education as a check against this week's registration of the unemployed and to determine to what extent those who say they are unemployed have previously filed applications for jobs at public employment offices.

The USES also is pondering a knotty problem of administration. Under the Wagner-Peyser act, Congress appropriates \$3,000,000 a year towards the support of state employment offices, according to the terms of a cooperative agreement with the USES relative to the conduct of such offices. In addition, under the Social Security Act, the Social Security Board is contributing to the support of the state offices in much larger amounts.

A Clumsy Arrangement

The result is an impossible situation in which Congress is appropriating under two different laws to two different agencies money that is destined to the state employment services. By agreement between Sec. Perkins and Chairman Altmeyer, of the Social Security Board, it was resolved that the USES in the Labor Department and SSB's Unemployment Compensation Bureau would operate as one agency. Anybody who knows Washington realizes what a clumsy arrangement that is. The Budget Bureau can't help to straighten out the mess because it is bound by the existing laws.

Congress will have to be called in and it is likely that in this session the Wagner-Peyser act and the Social Security act will be amended to provide for actual unification of their operations so that there won't be any hitch in the one-two process of putting a man on unemployment compensation when he loses his job but placing him in a new job as quickly as possible.

Contact—Men and Jobs Brought Together by U. S. Employment Service

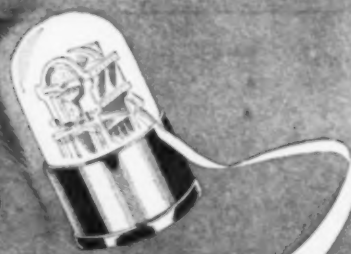
Looking for Work

	Applicants on Active File (At End of Period)	New Applicants	Calls on Employers By USES
July—December, 1933.....	No Data	9,063,802	48,637
January—December, 1934.....	6,526,875	5,493,175	1,253,046
January—December, 1935.....	9,025,963	6,357,966	915,181
January—December, 1936.....	6,311,161	4,261,621	1,105,777
January—September, 1937.....	4,636,744	2,592,768	1,542,311

Put to Work

	Total Placements	Placements in Private Employment	Public Works & Non-Relief Govt. Service	WPA and Other Relief Work
July—December, 1933.....	3,161,856	375,189	482,379	2,304,288
January—December, 1934.....	5,618,332	1,483,638	2,014,454	2,120,240
January—December, 1935.....	4,457,523	1,107,755	1,432,413	1,917,355
January—December, 1936.....	5,091,122	1,509,919	2,214,462	1,366,741
January—September, 1937.....	2,934,777	1,855,394	1,017,891	61,492

PROOF..



FIRESTONE BUYS LARGE PLANT IN MASSACHUSETTS ...

FIRESTONE BUYS FALL RIVER PLANT

Plans to Make Latex Products and Employ 3000

[Special to the Traveler]

FALL RIVER, Oct. 19—The big plant of the American Printing Company has been purchased by the Firestone Tire & Rubber Co. for the purpose of establishing a factory for the manufacture of latex products, it was announced today by H. C. Miller, an executive.

The plant will be used for manufacture of rubber thread, battery separators, tubing and adhesives, sponge rubber cushions and furniture upholstery. It is expected it will employ about 2500 to 3000.

The sale of the plant...

The TREND of Industry is NOW to MASSACHUSETTS!



Another industry, seeking a manufacturing site, has chosen Massachusetts. WHY?

Because a searching investigation proves that Massachusetts leads in presenting opportunity for PROFITABLE PRODUCTION.

Here's what this investigation discloses:

That the geographical location puts them nearer their source of materials and nearer the great mass markets of the country, thus offering tremendous transportation and other savings.

That Massachusetts' record of "man days lost" from strikes is among the very lowest of any industrial state for the first four months of 1937.

That the skill of its labor, the healthful, invigorating climate, and the prompt, adequate servicing facilities of the state are all factors in the high volume of production for which Massachusetts is famous.

That the state government is eager to help the rightful progress of industry.

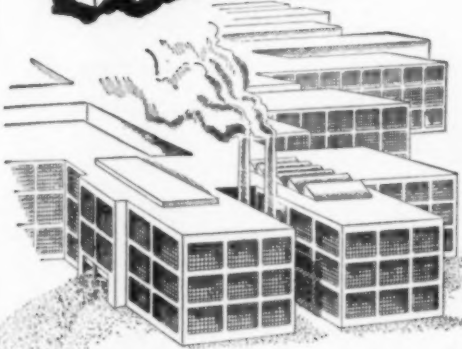
That the taxes upon manufacturing corporations are the lowest of any industrial state in the Union, and that these taxes are either stable or on the downward trend.

Briefly, that, compared point by point with any other industrial state in the Union, Massachusetts is the first choice for profitable production.

Massachusetts merits your consideration. Write today for the book "Industrial Advantages of Massachusetts," a factual presentation you should have on your desk.

THE MASSACHUSETTS DEVELOPMENT AND INDUSTRIAL COMMISSION

STATE HOUSE, BOSTON, MASSACHUSETTS



Over 400 industrial plants have been established in Massachusetts within recent months. The latest to follow the trend to Massachusetts was the Firestone Rubber and Latex Products Co. The same cordial welcome which they received awaits your industry in Massachusetts.

IT IS PROFITABLE TO PRODUCE IN MASSACHUSETTS





NOW WE LAY US DOWN TO STRIKE—Last week strikers, who for months have been picketing Horn and Hardart automats in New York, staged a "lie-down" to keep customers away. Police broke it up and some of the strikers landed in jail.

Recession Affects Labor Deal

Attempts to find compromise between A.F.L. and C.I.O. are interrupted by "other business", including that caused by change in general conditions. But peace is "probable".

SOMEWHAT obscured by the rush of political news, the peace parleys between the American Federation of Labor and the Committee for Industrial Organization spokesmen still pose a fundamental question-mark for business.

Even the union officials who have sat in on the conference to date were unable this week to guess how long it would take to work out an agreement. But the prospects of ultimate peace had changed from "possible" to "probable," despite the lag in getting down to brass tacks.

Pressure from Rank-and-File

Up to this week, the respective principals had been engaged in shadow-boxing, and the parleys had been close to the stall-point several times. They were kept going because of the pressure from rank-and-file labor for a compromise, and because of economic conditions which have cut the unions' budgets sharply. If anything, these pressures increased in the course of the past two weeks.

Nevertheless, no one opposed this week's postponement of the next meeting, originally set for Nov. 18 and now set for Nov. 29. The fact is, little prog-

ress has been made in "exploring the situation" and the conferees welcome the extra time.

Then, too, there is considerable sentiment among top directors of A.F.L. which sums up like this: "The C.I.O., resting on a low-wage, unskilled, mass industry base, will be cut to pieces by the business recession and, just before it hits the craft unions seriously, we can take 'em over on our own terms."

Not only C.I.O. leaders, but impartial observers, feel that such reasoning is fallacious, but it doesn't wear out easily. Consequently the C.I.O. felt this week that perhaps a strong psychological boost for the industrial union cause was needed to get the A.F.L. to grant autonomy to the vertical unions. Such a boost, the Lewis camp hoped, would come with extended steel contracts, definite automotive contracts, or a grouping of gains on new fronts sufficient to impress the craft unionists. With the recession, the latter hope is a very faint one.

Behind the scenes in labor executive ranks, the consensus is that neither Phil Murray for C.I.O. nor George Harrison for A.F.L. will give up the search for a compromise, and that the

two committee chairmen are strong enough to hold their more fainthearted colleagues in line. Among the rank and file of both big groups, a *Business Week* survey showed reluctance to continue the open warfare of the past year.

Effects of Uncertainty

Meanwhile, many projects mark time, waiting for the unions to make up their minds. Business planning is affected by the uncertainty, and so is Administration planning. Prime example of the latter is the pending reorganization of the Department of Labor, where both first and second assistant secretaryships stand open. Appointment of anyone while C.I.O. and A.F.L. are at odds would be risky, no matter how able the appointee happened to be. If he were a labor man, he would be labeled as having come up from one side or the other; if he were without labor experience, he would be open to slams from both sides.

Pretty generally, it is agreed in business, labor and political circles that the time has come for the boys to get action. Admitting this, the conferees yet insist that press of other business has been the main reason for postponing their get-together. And, in all justice, it must be admitted that they have been busy—what with building legislative lobbies, trying to collect dues from locals pinched by layoffs, negotiating for contracts to replace the one-year form set up last year, and trying to see through the business fog far enough ahead to set a course for the winter. But to those on the sidelines it seems strange that labor's first problem, setting its own house in order, should be shelved even temporarily.

How Long Will It Take?

Judging by the first month's peace talks, labor observers agree on an estimate of about six months for final agreement. It might come sooner or later—but, at the present pace, it should take at least that long to get 12 to 16 sub-committees set up to define industrial union territory, to get preliminary agreements in such joint groups, to get ratification from the unions, and to get final approval in the front offices. Thus far, the first of these steps has only been talked about cautiously.

Canadian Building Code

OTTAWA (*Business Week Bureau*)—A code for the building construction industry is in prospect, which will establish fixed standards of material and workmanship. Object is to secure quality in construction. Several organizations are cooperating in the movement, including the federal fire prevention service, the National Research Council, insurance interests, and the Canadian Manufacturers' Association.

BIG BUSINESS—NO. 5



17 Billions for Government

IT IS costing the American people more than 17 billion dollars a year to have themselves governed. This total—representing the cost of federal, state, county and municipal government—is equivalent to 25 cents out of every dollar of national income.

Who pays this bill? It cannot be paid by wealthy people alone, because there are not enough of them. If all people with net taxable incomes of \$5,000 or more for 1935 had been compelled to turn over to the government all their income in excess of \$5,000, the sum collected would pay only about 1/5 of the present annual cost of government. Thus the great bulk of the tax bill must be paid by the small wage earner. He pays it in the form of "hidden taxes," which fall on poor and rich alike, and are a part of the cost of virtually everything that everyone

buys—food, clothing, shelter—all the necessities as well as all the luxuries. These "hidden taxes" are estimated to account for 70% of the total tax revenue.

But everyone, rich or poor, can pay his taxes, whether direct or hidden, only out of income that has its source in private business. For income taxes, real estate taxes, sales taxes and all other taxes paid by individuals come out of salaries, wages, or other income received in private business endeavors.

Without private business the people would have no income with which to pay taxes. Whatever hurts business hurts all of the country's 130,000,000 people, and jeopardizes the national income from which all costs of government itself must finally be met. No business—no income. No income—no taxes. No taxes—no government.

As bankers for commercial and industrial enterprises, it is part of our responsibility to contribute something to a better understanding of the facts about private business.

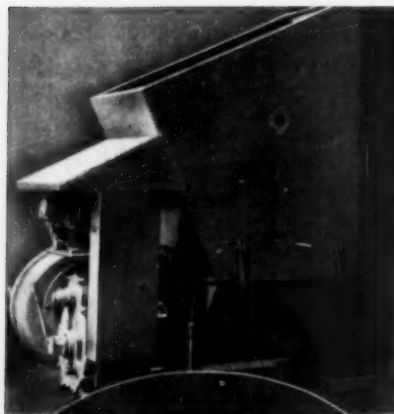
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Founded in 1784



IRON FIREMAN cuts fuel costs at Allen-A



An Iron Fireman stoker is the very heart of plant modernization. An installation of this automatic coal burner makes an old boiler young, increases its efficiency, enthruses management with Iron Fireman's ability to provide better heat or power for less money.

At the Allen-A Company of Canada, Ltd., Iron Fireman has paid dividends 4 ways: cut fuel costs; reduced firing room labor; provided steady power; increased boiler efficiency. Speaking for Allen-A's satisfaction with Iron Fireman, Lee L. Moore, Manager, says: "We are well pleased with your equipment and recommend it to anyone considering a machine of this type."

Accept This Free Offer

You want better heat or power, particularly if you can get it for less money than you are now paying. We believe Iron Fireman will do this job for you as well as it has for Allen-A and for thousands of other progressive firms.

We will make a free firing survey of your boiler room and submit a report on the economies and betterments you may expect with Iron Fireman firing. With the facts before you we leave it to your own judgment whether you can longer afford to waste what Iron Fireman users are saving. Consult your dealer, or write for literature to 3295 W. 106th St., Cleveland. Iron Fireman is quickly installed in homes and in commercial boilers developing up to 500 h.p. Easy terms. Iron Fireman Mfg. Co., Portland, Oregon; Cleveland; Toronto. Dealers everywhere.



Allen-A is one of the most popular names in history in Canada. Above is the Allen-A plant at Hanover, Ontario.

IRON FIREMAN

AUTOMATIC COAL BURNER

Labor Board Fight

Decision against A.F.L. contract causes attacks. Official defends board.

"IN order to establish conditions for the exercise of an unfettered choice of representatives, the companies are ordered to cease and desist from giving effect to the contracts."

With these words the National Labor Relations Board handed down a decision in the Consolidated Edison labor disputes case this last week, surprising no one to any great degree. Among labor observers the decision was long ago felt to hinge on the question of interstate commerce, and the remarks of some three weeks ago in the Pacific Gas & Electric case in the San Francisco area were a tipoff to the Consolidated Edison stand. Because of similarities to testimony in other cases, such as that of National Electric Products (*BW*—Sep-4'37,p5), it also was expected that the company would be held in violation of the Wagner labor relations act as a result of contracts it signed with an American Federation of Labor union.

This week the "Con Edison" case still looked like a long-time proposition with but little chance of early settlement. Floyd Carlisle, chairman of the board of the company (which has six affiliated utility setups in the New York City area) was on record with a vigorous protest in which he called the decision "utterly unwarranted" and hinted at a fight through the courts. Dan Tracy, president of the International Brotherhood of Electrical Workers (the A.F.L. group which has the contracts), said that there was no question of majority employee sentiment in favor of I.B.E.W., that the NLRB had put itself on the spot.

Union Files Petition

But to the casual observer, the outcome seemed to rest on one thing—a plant election. While Tracy was claiming majority support, an opposing Committee for Industrial Organization union stoutly affirmed that it was the spokesman for the majority, and that an election would prove it. This union, the United Electrical, Radio, and Machine Workers, filed its petition this week with the regional NLRB offices for such an election—if and when the company meets the provisions of the NLRB contract dissolution order.

However, it was not expected that the petition would go through soon. A week after the order the contracts were still in force, no plant notices of a change had been made, and six workers whose reinstatement had been ordered were still out of jobs. It was therefore felt that according to ordinary routine the regional office would later send a non-compliance statement to Washington, leaving the matter of enforcement up to

the board—and the matter of further court defenses up to the company.

In the West Coast case, the C.I.O. union also is an interested party, with a strong independent organization as its opponent. The board order calling for an election within 60 days still has a month to run. I.B.E.W. withdrew from the contest.

Mrs. Herrick's Statement

Coincident with the storm of discussion about NLRB which was raised to a new pitch by the Con Edison decision, a notable statement by the regional director in New York, Mrs. Elinore Herrick, got considerable attention this week. Written prior to the announcement of the aforesaid decision, it was released a few days later. In her statistical summation of regional cases, Mrs. Herrick made out a good case for impartiality in the judgment of many observers, and helped throw up a defense against a wave of disapproval which is rolling in on NLRB from sundry quarters. A bit of guessing also was done by neutral sources on the future, with this development strongly hinted: NLRB is going to follow the Herrick method elsewhere, put up a voluminous record of its doings for the public to study.

Retail Labor Drive

Hillman's sickness delays campaign. C.I.O. has 190 locals in stores.

IF evidence were needed to support the statement that organized labor is understaffed at the top, this week's developments—or lack of them—would provide the facts. Easiest proof would be found in the local and regional offices of the Committee for Industrial Organization, where the staffs were marking time and waiting for the boss to get back from the peace parleys with the American Federation of Labor committee in Washington.

Individually, union business was slowed down more in some instances than in others. Notable was the New York City retail store drive, a big part of which is directed by Sidney Hillman. Sick at home with the grippe, Hillman couldn't operate, and the "big store" plans (*BW*—Oct 16'37,p16) awaited his return. Union labor has been talking about collective bargaining contracts for Wanamaker's, Macy's, Gimbel's, and others of New York's stores of like stature, and some progress in preliminary negotiations had been made. But it is up to Hillman, as far as the C.I.O. is concerned, and the smaller unionists lay off.

Elsewhere in the New York area, both C.I.O. and A.F.L. have been keeping busy. With the Lerner contract (*BW*—Nov 13'37,p27) the United Retail and Wholesale Employees (C.I.O.) felt that

things were moving well, and put more organizers and pickets into the drive to sign Davega radio stores. Davega's, according to union philosophy, is particularly vulnerable because it is not a luxury-trade chain, and the general reasoning is that "labor is the market, labor can chase the sales away if a contract is denied." Principal point which was hard for Davega to swallow was the demand for a closed shop and exclusive rights to the U.R.W.E.

Slackened from the pace of a few months ago, the retail organizers nevertheless reported new locals being set up throughout the country. A.F.L. already has a strong string of such locals; C.I.O. now has set up 190 of them.

Labor Boycotts Grow

New York State court sustains use of "secondary" weapon by unions.

Just what a "labor dispute" is, depends in part on the person who does the defining. That the term has been broadened in recent years is evident, in the light of innumerable cases of sympathetic picketing, wherein one union actively supports another. And the oncoming surge of pro-labor boycotts is another definite sign in the same trend.

As a straw in the wind, a series of employer-employee difficulties in New York State show this trend clearly. When the Brooklyn *Daily Eagle* strike began, pickets marched out against one of the paper's big advertisers, Davega's radio stores. This action, known as a "secondary boycott" and employed many times in the past, resulted in a plea for restrictive injunction, which Justice Leander B. Faber of Brooklyn Supreme Court denied. Davega accordingly canceled advertising.

The judge based his decision on Section 876a of the state Civil Practices Act, which says, in subdivision 10(c) that a labor dispute extends "to any controversy arising out of the respective interests of employer and employee regardless of whether or not the disputants stand in the relation of employer and employee."

New York unions were waiting for the decision. Immediately an American Federation of Labor local sent letters to all retail druggists in New York City, asking them to boycott goods of wholesalers and manufacturers listed as "unfair" to labor. Further moves of this kind are expected, inasmuch as research staffs of both A.F.L. and the Committee for Industrial Organization in the city have been busy getting up "customers' lists" of all employers holding out against organization in important cases. With the law thus liberally defined, they feel that they are missing a bet if they don't do it.



Give your business and social friends a surprise and a real taste thrill. Your fellow directors, customers, cronies at the club will get plenty of cigars and Scotch; but *your* gift will be a real treat, long remembered, if you let us send, with your compliments, big handsome boxes of Royal Riviera Pears, mammoth in size and fairly bursting with juice.

"Most Delicious Pears I Ever Tasted in My Life"—J. H. P., NEW YORK

We formerly shipped our entire crop of these rare pears to London and Paris, where leading hotels serve them at about 75 cents each. Then we suggested them to a few business executives as an unusual Christmas gift. The plan has been so successful that last year thousands of boxes were used as gifts by officers and directors of important firms all over the country. In fact, our list of customers read like a blue book of American industry. And you should read the letters of enthusiastic praise that came back!

"Words Cannot Express the Delight of Our Friends"—H. E. W., DETROIT

Royal Riviervas are the rarest of all pears. They grow in only a few places in the world and one of them is right here in the Rogue River Valley, where the rich soil, the gentle rains,

and the days-on-end of glorious Oregon sunshine coax them to their mammoth size, gorgeous beauty, and delicious flavor. The crop was never finer than this year—your friends will all say they never saw such marvelous fruit in all their lives. Every pear is handled as carefully as an orchid. They are picked with gloved hands, tissue wrapped, nestled in protective packing, and shipped in handsome gift boxes with your greeting card enclosed. They'll be sent anywhere in the United States proper, wherever there is an express office, express prepaid, to arrive on the date you name.

"Every Box on Time, in Perfect Condition."

Recipients Delighted"—A. W. S., WASHINGTON, D. C.

Make up your list right now—include your banker, lawyer, doctor, branch managers, salesmen, customers, prospects, relatives—and don't forget a box for yourself! "Medium Family" boxes (shipping weight 10 pounds) are only \$1.95 each. "Larger Family" boxes (double the quantity of pears) are \$2.95. If, after eating your first Royal Riviera, you and your friends don't say these are the finest pears you've ever tasted, simply return the balance at our expense and your money will be refunded. The First National Bank of Portland, Oregon (Medford Branch), knows all about us and will vouch for us and our money-back offer.

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Boston, \$2.35 and \$3.35 | Calgary, \$1.95 and \$4.34 | Winnipeg, \$3.35 and \$4.75 | Montreal, Ottawa, \$1.95 and \$5.18
 Vancouver, \$2.35 and \$3.35 | Regina, \$3.35 and \$4.60 | Ft. Arthur, Toronto, \$3.35 and \$5.02 | Quebec, St. John, \$3.75 and \$5.35

Bear Creek Orchards, Box 1315, Medford, Oregon.

Send Royal Riviera Pears to the list attached, all express charges prepaid, to arrive (date)..... Enclose a gift card bearing the following:

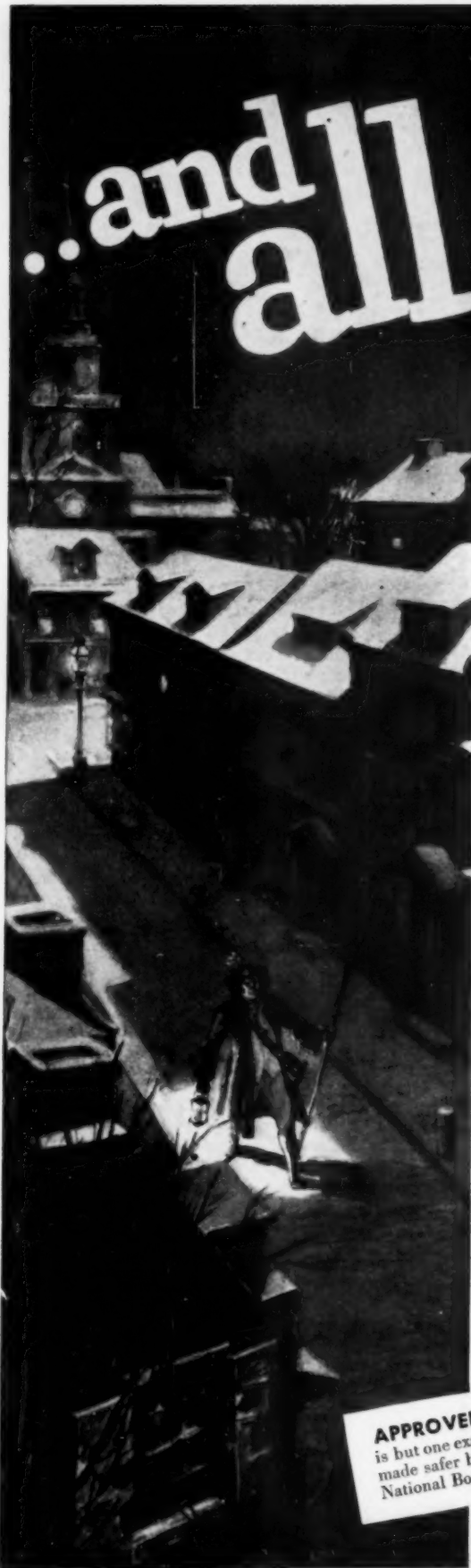
From
 "Medium Family" boxes (shipping wt. 10 pounds) at \$1.95 each.
 "Larger Family" boxes (double the quantity of pears) at \$2.95 each.
 (No C.O.D. or Parcel Post orders accepted)
 I enclose check (or money order) for \$.....

Name.....
 (Name of person sending order—please PRINT plainly)

Street.....

City..... State.....

...and all is well

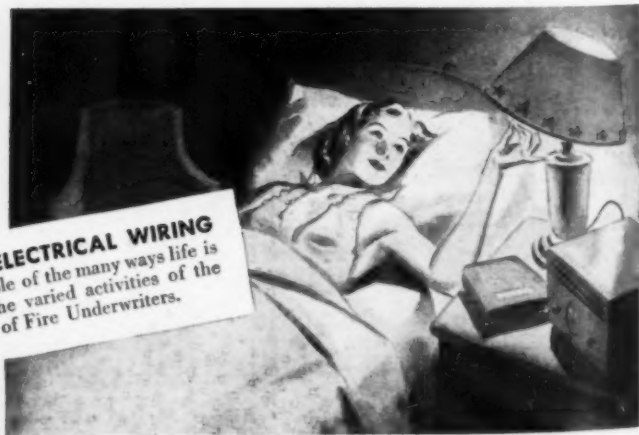


The subject of this advertisement is something about which most people know very little . . . yet it affects the welfare of every man, woman and child in America. You cannot see it . . . yet it watches over you every moment of the day and night. It has no substance . . . yet it is the basic foundation of homes, stores and factories. It generates no power . . . yet it makes trains move and ships sail. It has no political authority . . . yet without it, business and industry would be halted within the week.

The only tangible evidence of this invisible force is a slip of paper . . . your capital stock company fire insurance policy,* your dependable protection against financial loss by fire. More than thirty million such pieces of paper insure over one hundred and fifty billion dollars worth of American property.

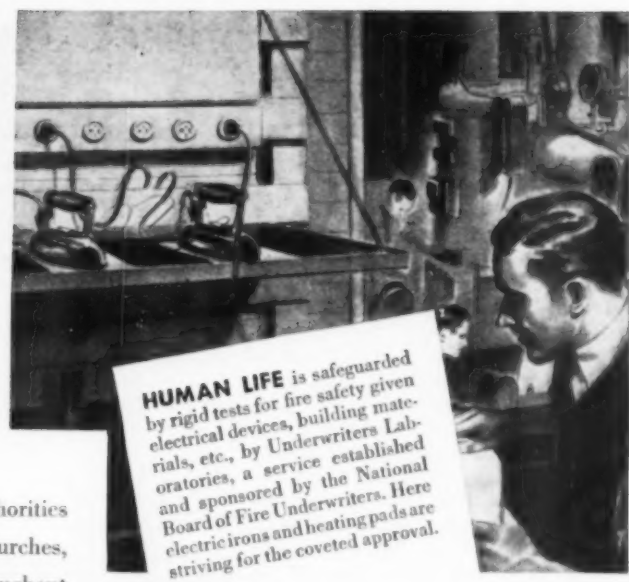
But, protecting property-owners from financial loss in case of fire is only half the story! Do you know that the 200 capital stock fire insurance companies comprising the National Board of Fire Underwriters constantly work to prevent fire . . . to prevent loss of life and property? Do you know that it is due to the wholehearted cooperation developed between this group and the

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YOUR LOCAL INSURANCE AGENT,
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rials, etc., by Underwriters Lab-
oratories, a service established
and sponsored by the National
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striving for the coveted approval.

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charged with supervision of schools, hospitals, theatres, churches,
office buildings, factories . . . and the fire departments throughout
the nation . . . that homes and all other buildings in which people
congregate are made safer against fire? Do you know that for
years these capital stock fire insurance companies have pro-
moted better building laws and the use of safer building materials?

These are just a few of the many things being done to safe-
guard life and property by the capital stock fire insurance
companies comprising the National Board of Fire Underwriters.
The public benefits through greater security of life and prop-
erty . . . the companies by reduced fire losses . . . the policy-
holders in lower insurance costs. Stock fire insurance rates
have steadily declined over a long period of years.

So, you see there is vital significance to nearly everybody in that
little slip of paper . . . your **stock company** fire insurance policy.

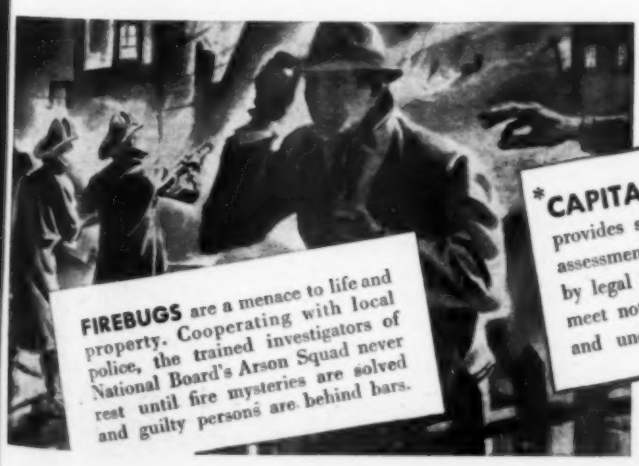
THE NATIONAL BOARD OF FIRE UNDERWRITERS
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FIREBUGS are a menace to life and
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National Board's Arson Squad never
rest until fire mysteries are solved
and guilty persons are behind bars.

*** CAPITAL STOCK COMPANY FIRE INSURANCE**
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by legal reserve but by capital stock and a surplus accumulated to
meet not only normal expected losses but those that are abnormal
and uncertain . . . even extreme losses due to conflagrations.

Coast Seamen Oppose Kennedy

Lundeberg—who looks his part as head of sailors' union—leads fight against federal mediation board on charge that it threatens right to strike.

PACIFIC COAST seamen once more are preparing to come to grips with the Federal Government, this time in a vigorous drive to block the pending move to establish mediation control of the maritime industry, urged last week by the U.S. Maritime Commission in its report to Congress on the American Merchant Marine (*BW*—Nov 13 '37, p 17).

The commission, headed by plain-spoken Joseph P. Kennedy, termed conditions in the merchant marine "deplorable," cited labor trouble as a contributing cause, and recommended creation of a mediation board similar to that provided by the railway labor act, which forbids a union's going on strike until sixty days after it has voted a walkout. Purpose of the delay is to give mediators time to work.

West Coast shipowners, through spokesman Almon P. Roth, were quick to hail the mediation idea as excellent. It is in line, they say, with their own efforts to inject responsibility into the marine unions.

Seamen Condemn the Idea

But seamen were as prompt to condemn the plan. They have not forgotten the government-operated hiring halls in the early 1920's, when sailors were handled with a rough hand on the Pacific Coast. Since then they have been extremely distrustful of anything smacking of federal regulation of sea-going labor.

Leading the fight against the "compulsory" mediation move is gangling square-shouldered Harry Lundeberg, chief of the Sailors Union of the Pacific, and strong man of the sea-going crafts.

"We're going to fight this thing with everything we've got," says Lundeberg. "It would rob us of the right to strike when a strike would be most effective. You've got to pick your time to strike, and when the time comes you've got to go; you don't want to wait around a couple of months, while the bosses get ready for you."

Sailors already have backed Lundeberg's words with action. Every local on the Pacific Coast has adopted a resolution to "fight to the finish" against the proposed measure.

This declaration of "war" is taken seriously by shipowners. They are not unmindful of the fact that, earlier this year, Lundeberg led a successful fight to force the government to hasty revision of the new maritime act to eliminate the provision making continuous discharge books mandatory—a feature much favored by the operators. They recognize

also that the sailor chief's opinions are daily carrying more weight in the national maritime picture, more weight, a great many think, than the "insurgent" leader Joseph Curran who enjoys the full backing of Harry Bridges and the Committee for Industrial Organization.

Lundeberg will undoubtedly be joined in this particular fight by both Harry Bridges and Joe Curran but he will accept their aid warily. Aside from the fact that he thinks they are too radical, he distrusts all close liaisons with other bodies. The S. U. P. is a member of the



HARRY LUNDEBERG—His definition of a good labor leader: "One who serves for the good of the cause and not for a fancy salary."

American Federation of Labor, but it runs its own show. According to Lundeberg, both the A.F. of L. and the Committee for Industrial Organization suffer from the same disease—rule from the top.

As the head of a sailor's union, Lundeberg looks the part. He seldom wears a coat; never a necktie or hat. Shirt sleeves and cap, that's Harry. He neither drinks, smokes, nor chews tobacco (or snooze), but he can swear along with the best of them and he isn't afraid to speak up to all and sundry. Shipowners who have met him on the docks or around the conference table say he is stubborn, but forthright and basically honest. It's hard to make him see a shipowner's side of things.

Born in Oslo, Norway, about thirty-six years ago, the big seaman chief went to sea in a square-rigger at the age of fourteen, spent the next twelve years in

sail—the only place a man can really learn the sea, he says. After the world war, when the "tall ships" began rotting in junkyards of the waterfront, steamships crowded them from the high seas, he turned to steam. And he was a good steam sailor, too—Pacific Coast operators who used to hire him will vouch for that.

There are few ports of the world he has not seen. He came to the United States to stay in 1928 and immediately applied for his first citizenship papers. He followed through and unlike Harry Bridges who twice has let his first papers lapse and still hasn't completed the naturalization process, he became a citizen of this country at the earliest opportunity.

"Came Up" in 1934 Strike

Like Bridges, however, he "came up" in the West Coast maritime strike of 1934. He's been coming up ever since. He was the first president of the powerful Maritime Federation of the Pacific. In 1934, when he resigned to become boss of the Sailors Union of the Pacific on a salary of \$50 a week. He doesn't care for his job, particularly.

"But somebody who'll fight has got to do it or the phonies will ruin everything," he explains.

His most effective weapon against the "phonies" is large attendance at union meetings each Monday night.

"When we can get five or six hundred men off the ships to the meetings," he says, "the union is in safe hands. It's in the small, hand-picked meetings of beach sailors that the dirty work is put across. There used to be a lot in who worked as longshoremen on permits handed out by Bridges, which gave him pretty good control of us. But that's all washed up now. We get the boys off the ships and the bosses cooperate pretty well."

"Me? I'm just their secretary. I carry out their orders."

Which explains why a sizable group of East Coast sailors are urging Lundeberg to take over on the Atlantic. They think his labor ideas are sound. They believe in him.

Why doesn't he accept the invitation? "The rats are still trying to get into the S.U.P.," he explains, with wrinkled brow. "Isn't there some saying about what happens when the cat goes away?"

Bay Bridge Earns Big Sum

A NEW California business enterprise, the San Francisco and Oakland Bay Bridge, completed its first year of operation last week after serving 20,000,000 customers and earning more than \$5,000,000. A daily average of 25,000 vehicles used the structure during the year and about 325,000 tons of freight were transported over its truck lanes each 24 hours. It has created trans-bay traffic hitherto not in evidence.

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SALES AND COST ANALYSIS

DATE	INVOICE NUMBER	CUSTOMER	TERRITORY	CLASS	STOCK LOCATION	DEBIT OR CREDIT	QUANTITY	ARTICLE	FACTORY COST	SALES AMOUNT	TRANSPORTATION COST
11	11	11	11	11	11	11	11	11	11	11	11
22	22	22	22	22	22	22	22	22	22	22	22
33	33	33	33	33	33	33	33	33	33	33	33
44	44	44	44	44	44	44	44	44	44	44	44
55	55	55	55	55	55	55	55	55	55	55	55
66	66	66	66	66	66	66	66	66	66	66	66
77	77	77	77	77	77	77	77	77	77	77	77
88	88	88	88	88	88	88	88	88	88	88	88
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BRING SELLING COSTS INTO THE LIGHT

... WITH PUNCHED CARD ACCOUNTING

SALES executives interested in keeping the many activities of their businesses under closer supervision should investigate punched card accounting.

This electric machine method ideally meets today's need for accurate, up-to-the-minute facts. Punched cards and International Electric Bookkeeping and Accounting Machines provide detailed information concerning sales and cost of sales. The machines will interpret and analyze your business data and will furnish the definite knowledge you require. They will tell you what's going on in all branches at all times.

Let punched card accounting aid your plans for greater sales

This modern method will enable you to make the greatest use of past experience in the planning of future quotas. Right now is the

time to learn how punched card accounting can aid you during the coming year.

This method will also provide detailed records concerning inventory, budgetary control, payroll and numerous other accounting procedures. Stop in at your nearest International office, or write for full information today.

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CORPORATION**

GENERAL OFFICES: 270 BROADWAY, NEW YORK, N. Y.
BRANCH OFFICES IN PRINCIPAL CITIES OF THE WORLD

Now Oil Case Defendants Attack

Government ends six weeks of offering evidence in Madison, Wis., trial. Some indictments dismissed. Case hinges on NRA Code.

WITH the government's case concluded, the defense in the big legal wrestling match at Madison, Wis., between the federal government and the major oil companies, this week took over the job of sweating, grunting, and seeking a hold. The government, in its six weeks of presenting evidence intended to convict certain oil companies and oil company officials and executives of violating the Sherman Anti-Trust Act (*BW—Oct 19 '37, p 15*), had twisted the defense's neck a time or two on legal points. With the prosecution through and the show turned over to the defense, William J. Donovan, chief defense counsel, and his staff hoped to do some neck-twisting of their own.

Views on Government's Case

Persons close to the defense pointed to the termination of the government's case, with 35 witnesses examined and 50 uncalled, and said the prosecution had been disappointed in the testimony of its own witnesses. With this Hammond E. Chaffetz, of Washington, special assistant attorney-general, who has headed the government prosecutors, agreed only in part. Pointing to the 400 or more documents placed in evidence, Chaffetz said that beyond the documents the government had been forced to rely on the testimony of "hostile witnesses," some of whom had not been able to remember the testimony they gave before the Grand Jury.

But Chaffetz thinks the government made a strong case through the 400 documents and through various testimony, especially that of Walter Paul Jacobi, a buyer for the Wadhams Oil Co., subsidiary of Socony-Vacuum, and that of Neil Buckley, a Cities Service buyer who was lent to the East Texas Refiners' Marketing Association in February of 1935, when, the government charges, the companies conspired "to artificially raise and fix tank car prices in the spot market, thereby increasing and fixing tank car prices of gasoline sold in interstate commerce throughout the Middle West and intentionally increasing prices."

"Fair" and Higher

Jacobi, who was a member of a committee which mapped out a buying program in the Mid-Continent field, testified that the object was to achieve a "fair price" for gasoline. The government, however, finally got him to say that a fair price was also a higher price. Through him, too, the prosecution was able to establish that a series of meetings was held, that independent

refining companies were assigned to major companies for buying purposes, that companies not represented at the meetings were notified what refining companies had been assigned to them, and that the term "dancing partners" was used to describe the companies so assigned. The term "dancing partners" rolls off Mr. Chaffetz' tongue very easily. There is little doubt that it is destined to contribute to the entertainment of the courtroom crowd at Madison when the case passes the wrestling match stage and goes to argument.

Buckley, whom the government used in an attempt to show a buying program in the East Texas field, testified that he acted solely upon behalf of the refiners. But at the conclusion of his testimony the government put into the record a letter written by him on May 17, 1935, in which he said an increase in price from 34¢ a gal. to 44¢ a gal. was due largely to efforts carried on in that field. The government also put into the record a letter written by Buckley in which he used the term "uplift buying." That term also rolls easily off the tongues of government attorneys, and seems destined to play a big part in the argument.

The government failed to make a case against the Chicago *Journal of Commerce*, or against Warren C. Platt's *National Petroleum News* or his Platt's

Oilgram, which were accused of collusion with the oil companies through the publication of spot market quotations. Upon winding up its case last week-end, therefore, it dismissed the indictments against the publications, as against Platt and his two publishing companies.

The case against Keith Fanshier, a reporter for the *Journal of Commerce*, was not called for trial. Presumably the government will dismiss it later. The indictment of Mr. Fanshier is regarded as something between an outrage and a fantastic joke. He is the only person connected with his paper who was indicted. Apparently, some government lawyer got the bizarre idea that a reporter determined the policy of a newspaper.

Other Indictments Dismissed

Other indictments dismissed on the government's motion, as it drew a case to a conclusion, were those against the Tide Water Associated Oil Co., the Deep Rock Oil Corp., and Cities Service Export, and Louisiana Oil, the last two subsidiaries of Cities Service. Dismissal of the Tide Water case was based on the ground that activities alleged were those of the Tide Water Oil Co., now dissolved, and the parent company was not involved. The Deep Rock dismissal was predicated on the fact that the company at the time was in the hands of a trustee. Dismissals of the cases against the two Cities Service subsidiaries were based on dissolution and mergers.

The defense's avenues of approach were not entirely clear as it went into action this week. However, since the

Solving the Customer's Parking Problem



The management of any store where the customer must first solve a problem of parking before shopping, will be interested in the parking roof installed by the Seattle Market of Seattle, Wash. The heavily reinforced roof, 225 feet long and 140 feet wide, is easily reached by a ramp from the street level and accommodates 200 cars. The shopper uses an elevator to get to the selling floors. There she makes her purchases, has her parking ticket stamped, and takes the elevator back up to the parking roof where she finds her foodstuffs already stowed in her car.

NEW EDITORIAL DIMENSION IS MAGNET FOR INQUIRING MINDS

**NEWSWEEK editorial policy...News, Interpretation, Forecast...
attracts readership ideal for advertising message...
rapid circulation rise proves broad appeal**

Who are the most active-minded readers in America? The men and women who dig into the news in order to understand what's going on in the world today.

They like to be thrilled, they want to be amused—who doesn't?—but above all they want to know what's going to happen.

Change is the order of the day. Swift change is everywhere. They want to know what is going to happen to their lives, their security, their pocket books.

What's Coming?

The upsurge of labor via C.I.O.—what will this do to profits? How will it affect the political scene? Will the Brussels conference pull us toward war? Will the President fight a business recession with more government spending? Will taxes be higher?

Men and women who have a stake in the present want to protect it in the future. They want to know what the future holds. They are the inquiring minds.

They are the readers who look below the surface for the significance of the news.

Most profitable readership for advertisers

NEWSWEEK points to the future. NEWSWEEK gives not only the news, but the meaning of the news—interpretation. NEWSWEEK gives not only the vital events of the day, but what these events portend. This is the New Editorial Dimension of NEWSWEEK.

Inquiring minds turn to NEWSWEEK like a magnet.

Those who have a stake in the present—property, income—the favored section of the economic pyramid—these turn to NEWSWEEK.

This audience of inquiring minds is the ideal readership of an advertising message, because when convinced they have the money to buy.

Rapid circulation rise shows broad appeal

More and more, inquiring minds turn to NEWSWEEK, attracted by the new Editorial Dimension—News plus Interpretation, Forecast.

March—June, 1936 . . .	162,507
March—June, 1937 . . .	277,899
Current Issue	291,000

RULE FOR SMART BUYERS

**Buy on a rising market when the
market is worthwhile**

Newsweek

THE MAGAZINE OF NEWS SIGNIFICANCE



AS LIKE AS TWO PEAS, BUT— *One's a Stradivarius*

Any violin maker could easily duplicate a Stradivarius in appearance, but to duplicate the rich, melodious tone would require the skill of Stradivarius himself.

Likewise, a rope could easily be made to look like "Flex-Set" Preformed Yellow Strand, yet our 61 years' experience making nothing but wire rope give to "Flex-Set" Preformed Yellow Strand distinctive qualities that would be difficult to duplicate. These qualities are as invisible as those of a Stradivarius; but manifest themselves in the long, economical life of the rope.

The wire is of exceptional quality, drawn to our own exacting specifications. By the new preforming process, wires and strands are shaped to a permanently helical form before going into the rope.

Properties are thus produced that cannot be duplicated by the old standard method of manufacture. The rope becomes limp; easy to handle and install. It works freely on drums and sheaves; is highly resistant to drum crushing and metal fatigue.

Longer life is the inevitable result in road building, general construction, logging, mining, rotary drilling, plant operation.

For economy, make your wire rope specifications read: "Flex-Set" Preformed Yellow Strand.

BRODERICK & BASCOM ROPE CO., St. Louis

Branches: New York, Chicago, Seattle, Portland, Houston. Factories: St. Louis, Seattle, Peoria.
Manufacturers of all grades and constructions of wire rope, preformed and regular, for every purpose

"FLEX-SET" PREFORMED YELLOW STRAND

companies have contended from the beginning that the whole mess grew out of the government's efforts to control oil production under the NRA, it was believed Donovan would make another effort to get the Oil Code into evidence, though a previous attempt to do this had failed.

Defense's Procedure

In Madison there is an opinion that the government attorneys, unable to impeach the testimony of their own "hostile witnesses," hope the defense will call all or some of the 50 or so witnesses they did not call. If the defense should do this, the prosecution could then tear into them on cross-examination. W. P. Crawford, a Superior, Wis., a special assistant attorney-general who has a state-wide reputation as a tough cross-examiner, has moved into the first chair on the prosecution's side of the counsel table which during presentation of the government's case was occupied alternately by Chaffetz and another special assistant John Henry Lewin of Washington, D. C. But majority opinion is that if the prosecutors have laid a trap for the defense counsel, Donovan and his aides will avoid it. Guessing, in other words, is that the defense will rely on its own witnesses, and will use few—any—of those passed up by the government.

New 2-Mile Oil Well

California success encourages industry to go farther with deep-well drilling.

THE wildcatter's dream, that petroleum can be found in unsuspected quantities at great depths, is becoming a reality. Last spring Humble Oil, subsidiary of Standard Oil Co. (N.J.) brought in a well near the Louisiana coast at a depth of over two miles (BW—May 29, p. 29). The deep-well theory has again been proved in a distant field. Well before last, Union Oil Co. brought in a San Joaquin valley producer at 11,302 ft.

This discovery caused some excitement in California because of the implications. It promises new sources to bolster the state's fast dwindling oil reserves, both because of its depth and because it opened a new Kern County field. The Humble well still holds the depth record since it produces from a stratum 318 ft. lower down than does Union Oil's new bore. But Union can console itself with a flow of 2,400 bbl. daily, compared to 1,360 bbl. from its deeper rival.

Such successes will stimulate the expensive science of drilling with longer strings. They also upset dismal estimates as to the nation's recoverable reserves.



Loading the first wheat barge to leave Kansas City's new public levee.

Waterway "Triumph"

First cargo of wheat leaves only river-rail terminal in the Wheat Belt.

FLOATING down the Mississippi, bound for Europe via New Orleans, is the first cargo of wheat to leave the Wheat Belt's only river-rail terminal—the municipally owned Kaw Point elevator at Kansas City, Kan. If this 20,000 bushel cargo is the forerunner of a new era in export wheat shipments, as proponents of inland waterways claim, the movement will necessarily be interrupted until next spring, since the Missouri River barge season will close Nov. 26. In the meantime the railroads will continue to do their bit in keeping the "steady stream of golden grain moving to all foreign ports"—one aim of boosters for inland waterways.

Leased for Thirty Years

Started in 1936 as the major part of a \$1,750,000 Public Works Administration waterfront development program, the new river-rail elevator located at the junction of the Kaw and Missouri Rivers was barely completed in time to get its share of this season's bumper crop. It has been leased for thirty years to Hart, Bartlett, Sturtevant Grain Co., at an annual rental of \$52,500. While it is not the largest elevator in the Kansas City area (the Santa Fe Railroad has a 10½ million bu. plant there), it is the only one equipped to transfer the grain from trucks or freight cars directly to barges. This is done by means of a conveyor-type loading gallery, 970 ft. long, extending from the headhouse to

the wharf. Barges can be loaded at the rate of 20,000 bu. per hour. The Kaw Point elevator brings the total grain storage facilities of Kansas City up to 62 million bu. About 50 million bu. are now in storage.

Because wheat can be moved from Kansas City to New Orleans for 15¢ per 100 lb.—just half the rail rate—those interested in waterways predict that next season will be a dandy, that is, if there is a 1938 wheat crop, and if there is enough water in the channel (Ft. Peck Dam is supposed to take care of that), and if there is a foreign demand. This year about 500,000 bu. of wheat was shipped by river from Kansas City.


Railroads' Policy

The government-owned Inland Waterways Corp., operator of the Missouri River barge line, insists that all railroads entering Kansas City will eventually be helped instead of hindered by water traffic, because much freight will be diverted to Kansas City's waterfront for reshipping by barge. But the railroads have refused to play with the barge people in any way, particularly in the matter of combination rail-barge rates. Now comes an exception. Union Pacific and Missouri Pacific control, through leased trackage, railroad rights at the new river-rail terminal, and hence are in a position to collect at least switching charges on all carlot grain which will pass through the elevator. Neither railroad, however, is boosting for waterways; rather, each is making the best of a bad competitive situation.

The grain industry of the Southwest

KOPPERS

DESIGNERS • BUILDERS • PRODUCERS • MANUFACTURERS
DISTRIBUTORS • OPERATORS



KOPPERS DIVISIONS, SUBSIDIARIES AND AFFILIATES

- American Hammered Piston Ring Division
- Bartlett Hayward Division
- Boston Tow Boat Company
- Eastern Gas and Fuel Associates
- Engineering and Construction Division
- Gas and Coke Division
- The Koppers Coal Company
- Koppers-Wheelabrator Company
- The Maryland Drydock Company
- Mystic Iron Works
- Mystic Steamship Company
- National Lumber & Creosoting Company
- New England Coal & Coke Company
- Tar and Chemical Division
- Western Gas Division
- The White Tar Company of New Jersey, Inc.
- The Wood Preserving Corporation

DEPEND UPON KOPPERS NAPHTHALENE FOR PROTECTION FROM MOTHS—The principal material used to save clothes and other fabrics from destruction by moths is naphthalene. Naphthalene is a white crystalline product familiar to everyone as moth balls, moth flakes and moth chips. It is obtained during the carbonization of coal. The White Tar Company of New Jersey, Inc., a Koppers subsidiary, is one of the major producers of moth balls, flakes, chips, and other forms of naphthalene.

THE WHITE TAR COMPANY OF NEW JERSEY, INC.
 Kearny, N. J.
 A KOPPERS SUBSIDIARY

is hailing another transportation development. An Interstate Commerce Commission decision last week in a grain and grain products rate case—one which has been pending since 1923—places Kansas City, the nation's greatest winter wheat market, on an equal footing with Minneapolis in regard to freight rates on shipments to Central states. This area extends as far east as the western cities in New York and Pennsylvania. Millers in the winter wheat belt who would bid for Eastern business have been obliged to spot Northwestern mills as much as $5\frac{1}{2}$ ¢ per hundred pounds on flour.

Transit Privilege Grievance

To make matters worse for Kansas City and Omaha millers, transit privileges as applied to both storage and milling were denied them as a result of an ICC order in 1935 designating all river cities as rate-break points. Under transit privileges, a shipment can be stopped in the middle of its journey, and later can be forwarded on the through rate.

This denial was reported to be doubly bitter to Kansas City because the railroads, on a permissive order, restored transit privileges to its arch rival, Minneapolis, also a river city, but refused the same to Kansas City. So bitter have been Kansas City grain and milling men that many members of the city's Board of Trade, which once turned thumbs down on barge shipping, declared they would favor the waterways with all possible traffic until the railroads restored transit privileges which had been denied the millers.

The victory before the ICC is just a starter for the Southwesterners. Next goal will be equalization of rates to the Eastern seaboard.

"Safe" Tire Sales

Some manufacturers hope to expand market. Lighter tire will give less mileage.

CAMELBACK is the rubber industry's name for the humped strips of rubber that are applied to worn tires in the retreading process. No straw is breaking the camelback business. Far from it. The camelback business is going to town.

Tire retreaders estimate they will work out on six million tires this year, a sizable chunk of the tire mileage market that will take about 25 million replacement tires. With tire prices increasing, the retreaders hope to cut themselves out a bit larger piece of the market, proving that retreading, though reborn as a depression business, is here to stay.

Rubber manufacturers, too, are convinced retreading is here to stay. The

larger companies have jumped into the business themselves, processing tires in factory branches, selling camelback to independent retreaders.

Some manufacturers see retreading as a possible answer to the automobile manufacturers' demand for lighter, easier riding tires—tires to be sold like shoes with retreading to be expected in about the same proportion that shoes are re-soled. Such tires, if built to the present specifications, except for tread, would have a higher safety factor, manufacturers say.

Tentative steps in this direction have already been made in the rubber industry. If followed out, the trend toward heavier, longer-wearing tires that has held the industry—and whittled its replacement market—since the beginning of the tire making industry, would be reversed.

A tire that would wear smooth in about 15,000 miles, requiring either a new tread or a new tire to replace it, would offer a lot of advantages to the tire manufacturer who has been convinced for some time now that his original equipment tires were altogether too good to assure a big replacement market.

How Sell a Lighter Tire?

But manufacturers have not yet figured out how they can sell the public a lighter tire. For years they have plugged long mileage in their ads and produced it out of their laboratories and

off their production lines. What, they ask, would be the reaction of the motorist accustomed to getting 20,000 or 25,000 miles on a tire when he finds his tires worn smooth at 15,000 miles? And could he be sold a greater engineering safety ratio in place of the miles?

So far the passenger car owner has proved only mildly interested in retreading his worn tires. The used car dealer, the truck owner and the fleet operator, however, have built up the market.

Car Owner's Reaction

There are several reasons for the passenger car owner's disinterest. He probably carries an unpleasant memory of retreaded tires of a dozen or 15 years ago before the new retreading processes came into use about 1930. Then, with the present long-wearing tires, the carcass in many cases has lost its elasticity through age by the time he is ready to retread.

Truck owners and fleet operators, who grind the tread off tires in just a few months through continual operation, have discovered that they can add thousands of miles of service at something less than half the price of a new tire.

The standard guarantee on retreaded tires is 15,000 miles or 10 months' service. This fits the requirement of the truckers and fleet operators.

Climatic and road conditions also

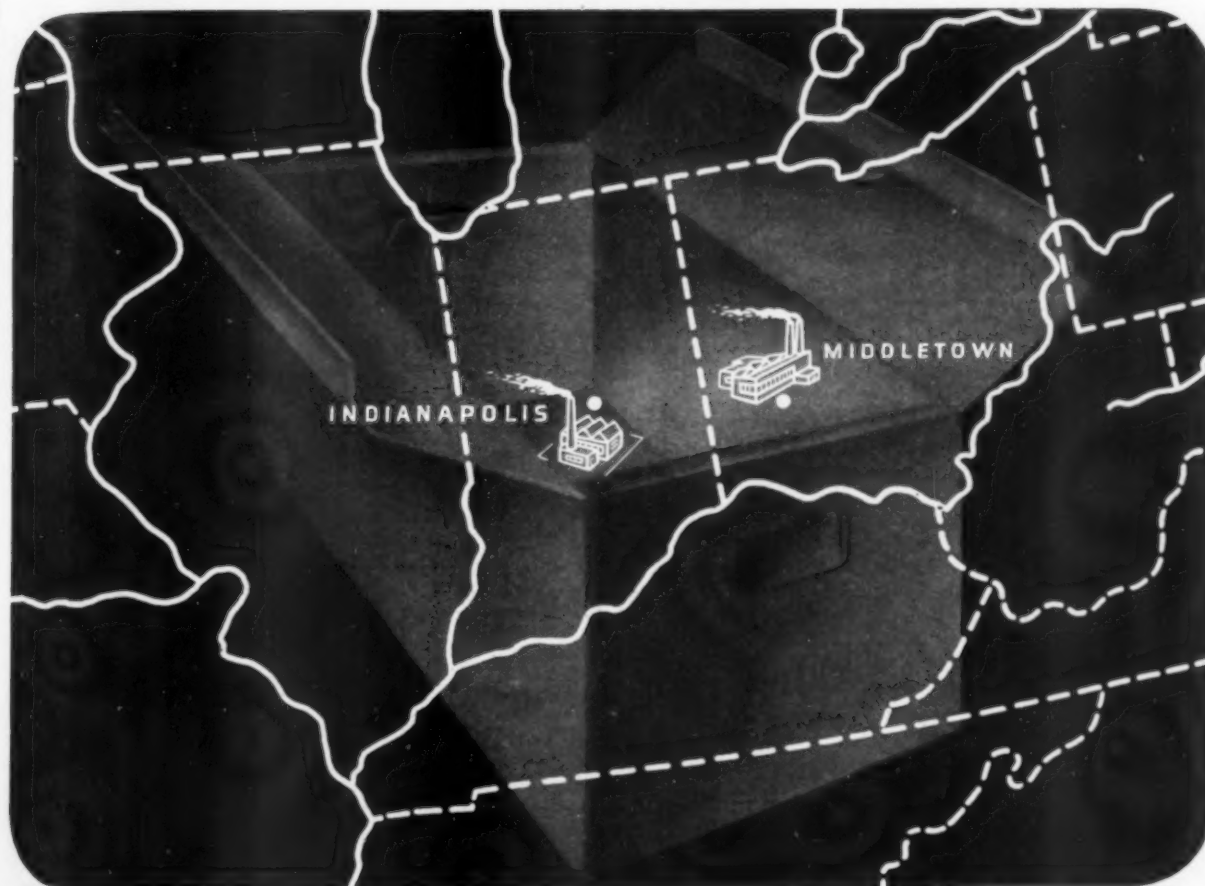
Newest "Motor Aisle" Swings into Production



Typical of the high degree of mechanization in "the world's most modern motor aisle," which Westinghouse Electric & Mfg. Co. revealed for the first time to a group of business paper editors last week at its East Pittsburgh works, is this battery of automatic inclined presses. Laminations for rotors and stators fall rhythmically from the presses onto endless belts which convey them to further conveyors and thence to automatic assembly jigs. The building which houses the motor aisle is 1,454 ft. long. Though it will specialize on the straight-line production of standard industrial-type A.C. motors, ranging from 1 to 50 h.p., it has ingenious facilities for turning out "specials" without slowing up "standards".

BELL SYSTEM TELETYPEWRITER SERVICE

puts Middletown and Indianapolis into one INLAND CONTAINER



MAKING boxes involves making quick contact between headquarters and factory for the Inland Container Corporation.

This presented a problem. Headquarters at Indianapolis did not always know what orders Middletown had on hand until a whole mail day after they were received. Production was irregular and often delayed, pending word on credit or special instructions from Indianapolis.

Company officials decided to do something about it, and asked Bell System representatives to help them. Together they made a thorough analysis of existing communication methods, and found a

need for Private Line Teletypewriter Service. It was installed at once.

These efficiencies resulted: (1) Headquarters now receives all orders and has full control over them until transmittal to Middletown. (2) Final instructions are flashed in *typewritten form*, providing accurate carbon records for billing, shipping, and other departments. (3) Production is better balanced. (4) Customer service is quicker.

Perhaps a get-together with Bell System representatives will prove equally profitable within your business, whether it's large or small. It costs nothing to find out. Just call your local telephone office.



IF YOU NOTICE DETAILS



HAMILTON BOND

Detail hounds simply rave about Hamilton Bond. Purchasing agents, amateur detectives, and inborn purists pore over its brilliant whiteness in ecstasy. They put magnifying glasses on its printed surface and find no fault. They attack it with typewriters and erasers and come off second best. They look at the price and simply won't believe.

We aren't all purists, but the things they find are what makes Hamilton Bond the popular business paper. Such quality at a below-average price is too good to turn down. Printers are always glad to use it for letterheads and envelopes without extra charge.

Write for our new portfolio of 10 outstanding letterheads and decide for yourself. Incidentally, note the swatch of 12 colors which fit Hamilton Bond to all business purposes. Great paper isn't it?

Founded



1856

W. C. HAMILTON & SONS, MIQUON, PA.

Finer Papers for Business and Advertising

seem to play an important part in the retreading market. Thus, the West Coast, where roads are straight and smooth, and where automobiles and trucks are wheeled at high speeds, is the best retreading market. Incidentally, it is the West Coast that still demands extra heavy super-tires for passenger cars.

East Begins to Get Interested

The prairie states and the Southwest are the second best retreading market. The East, except for some few scattered localities where road conditions are bad, is just beginning to get interested.

Tire dealers, so far, are not greatly concerned over the growth of the retreading business. They make a profit on the retreading jobs they send in to the manufacturers.

In many cases individual tire dealers have built up their replacement sales by soliciting retreading accounts. Not all tires can be retreaded, and when the dealer gets a hopelessly damaged tire, he tries to sell a replacement.

Perhaps 80% of the smooth passenger car tires at present would be rejected by retreaders because of damage or age. They actually reject only about 20% of the tires offered now, however, since the customers themselves have learned to weed out the least likely candidates for new soles.

Wooring Consumers

Crowell Publishing Co. and New York Herald Tribune active in business effort.

THE United States consumer movement has always been distinguished by its animosity to big business. Consumer groups plagued business with demands for everything from graded and labeled products to complete government control of advertising. But now the reaction has set in, and the new consumer groups welcome business with open arms, ask it to come in, sit down and tell its story. If this at first seems strange it is less so when it appears that most new consumer groups are being backed by business itself. The latest entries into this right-wing consumer movement are the Crowell Publishing Co. and the New York Herald Tribune.

Last summer Crowell set out to take a survey of consumer activities. The results, which are being published this week under the title, "Advertising and the Consumer Movement," decided Crowell to set up a Consumer Division, which would fight to make business and the consumer friends again. For, after all, Crowell publications are read in nearly 10,000,000 consumer homes, and they carry the ads of practically every industrial advertiser.

The Crowell survey furnishes a com-

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plete report on all existing consumer societies—professional groups such as Consumers Union and Consumers Research, educational groups like the American Association of University Women and the National League of Women Voters, and the score or more of women's organizations which are influenced by such potent groups. Government activities in the consumer interest are reviewed, and consumer education in schools and colleges is studied, as well as the influence of libraries in spreading consumer propaganda.

Still Unfriendly to Business

The conclusions reached in the survey were that the movement had made great strides during the depression, that it continued to do so, and that it was still thoroughly unfriendly towards business. Finally, there was no source, no body of information, and no propaganda being sent out by the forces of the right. And this Crowell proposes to do.

The educational work of the Crowell campaign is to be under the direction of Anna Steese Richardson, who will supply study programs to interested women's groups, as well as speakers and material on such topics as synthetic fabrics, informative labeling, the cost of distribution, merchandising, and advertising. To supplement this, Crowell has a consumer information service sending out publicity material to newspapers, on the constructive achievements of various businesses.

The New York *Herald Tribune* this week held the first of seven consumer-problems clinics which it intends to hold throughout the winter. The purpose is to bring clubwomen and business men together, to the mutual benefit of each group—clubwomen can tell retailers what they want, and retailers can explain what they are doing to give the ladies what they want. Mrs. William Dick Spornborg is an active consumer in the clinics. The business men represented at the first meeting included Paul Hollister and Nathan Straus, executives of R. H. Macy & Co.

Right-Wing Consumer Groups

Thus the *Herald Tribune* and Crowell climb aboard the bandwagon of right-wing consumer groups which already carries Crump Smith and his *National Consumer News*, (BW—Oct 23 '37, p 34) the still unformed Consumers Foundation, (backed by the chains), such retailing organizations as the Advisory Committee on Ultimate Consumer Goods (backed by the National Retail Dry Goods Association and various other retail groups), and the Consumer-Retailer Relations Council, under the leadership of Harold Brightman of L. Bamberger in Newark. And the wagon's likely to have a lot more occupants too.



Because Fire Will Find the Weak Spot

Your vault may LOOK imposing but looks have little to do with fire protection of vital records.

Since you have instructed employees to put vital records in that vault each night, it is important to KNOW just how your vault would be rated by today's standards.

A door purchased years ago as "Fire-Proof" may be actually only a 10-minute door . . . worth about as much in fire protection to you as a ten horse power motor would be in today's traffic. Today, doors are tested and labeled for five degrees ($\frac{1}{2}$ to 6 hours) of protection to balance corresponding fire hazards.

The Diebold Man can tell you what you OUGHT to have to balance your present fire hazards. This is about the most important service any organization can render you, right now, but it's free.

Until you know what your vault will withstand, better put a sign on it like the one above. Call the local Diebold organization or write direct for your vault analysis. From that point on, it's up to you.

DIEBOLD
SAFE & LOCK CO. · CANTON, OHIO
PROTECTION ENGINEERS FOR OVER SEVENTY-NINE YEARS

Too Many Santa Clauses

Rival business interests in a famous Indiana village battle in the courts over rights to promote commercial possibilities of its name.

SANTA CLAUS is in the clutches of the courts. It is hoped that a decision before Christmas will clear the business air and lure back some of the old yule spirit.

The Santa Claus referred to is not the fat old party with the eight reindeer, but the tiny village of Santa Claus, Ind. Rival commercial promotion is at the bottom of all its troubles and affidavits. The Indiana Appellate Court at Indianapolis is now considering the quarrel which was passed up to it by a lower tribunal. Santa Claus' 67 inhabitants hope to heck that a decision will be handed down before the holiday harvest.

The Elders' Inspiration

When old timers of the little town applied for a postoffice in the 90's they wanted to call it Santa Fe. There was already a Santa Fe in the state. The elders thereupon had a rush of inspiration to the head and called the place Santa Claus. For years the village basked in the advertising the name gave it. But sales managers were attracted by the promotional possibilities for Christmas business, and now that promoters are battling for control, the citizens aren't so sure.

In 1932 Milton E. Harris, a former

lawyer and salesman, leased from the owners almost all land in and about the village. He visioned an extensive toy wonderland with manufacturers paying for concessions to give their products the prestige of the Santa Claus address. The idea caught on. Various concerns paid for toy towns, a candy castle, gnomes' workshops, wishing wells, totem poles. Tourists stopped to gape and buy gas.

Along came Carl A. Barrett and everything changed. Mr. Barrett is an auto insurance broker and promoter of Chicago. He professed alarm at the manner in which the town was being "exploited" and announced a determination to make it free.

It is charged that Harris leased almost 1,000 acres surrounding the famous postoffice, obtaining control for 25 years by an original payment of \$25. His company is Santa Claus of Santa Claus, Inc. Mr. Barrett moved in with just plain Santa Claus, Inc., as his corporate weapon. He bought up valuable park lands and building sites about the town. Much of the land was under the Harris leases. Mr. Barrett believed that his ownership voided the Harris control.

Mr. Barrett then proceeded with his plan to open Santa Claus town to "free and unrestricted enterprise." He presented a 40-ton granite statue of Santa Claus to the village and began the promotion of his holdings. There was violent objection from Harris and pretty soon the lawyers were busy.

Even Statue Is Under Fire

Judge Fabius Gwin, presiding in a Martin County court, decided for Harris, granting him a permanent injunction. He not only upheld the leases but declared that the Barrett Santa Claus statue was on Harris-controlled land. Moreover, the judge rubbed it in by forbidding the sale of postcard pictures of the statue in the town.

Smarting under his defeat, Mr. Barrett appealed. He charges conspiracy, prejudice, and denial of a jury hearing by the lower court.

But questions more sweeping than a mere lease vs. ownership are involved in the feud. Indiana's state corporation counsel, Joseph O. Hoffman, attacks the names of the opposing companies. He contends that "employing the name of Santa Claus corporately usurps the common property of all mankind."

In his stand the corporation counsel is backed by the Indiana Department of



60,000 PIECES A DAY—That's the rush of mail Postmaster Oscar L. Phillips of Santa Claus, Ind., has handled in the yule season of recent years.

State. It recently refused a concern which wanted to incorporate as "Christmas with Santa Claus, Santa Claus, Indiana". In doing so the department fired a broadside:

"This office has taken the position that Santa Claus is either a geographical name, a postoffice address in this state, or it is the name of a mythical being. It is such a name in strict justice and law that cannot become the subject of an exclusive proprietorship."

While the question of firm names cannot be raised in the appeal against the Harris injunction, it is one which can provoke new rulings and litigation. Action by the state might abolish the use of the Santa Claus title for incorporations.

Meanwhile, it is said that two automobile manufacturers, a major oil company, a large soft drink concern have looked into the possibilities of Santa Claus for advertising. The interests of the candy company which built the candy "castle" and 10 other concerns paying for Santa Claus exploitation are indirectly affected by the litigation.

Sales Genius Saw Chance

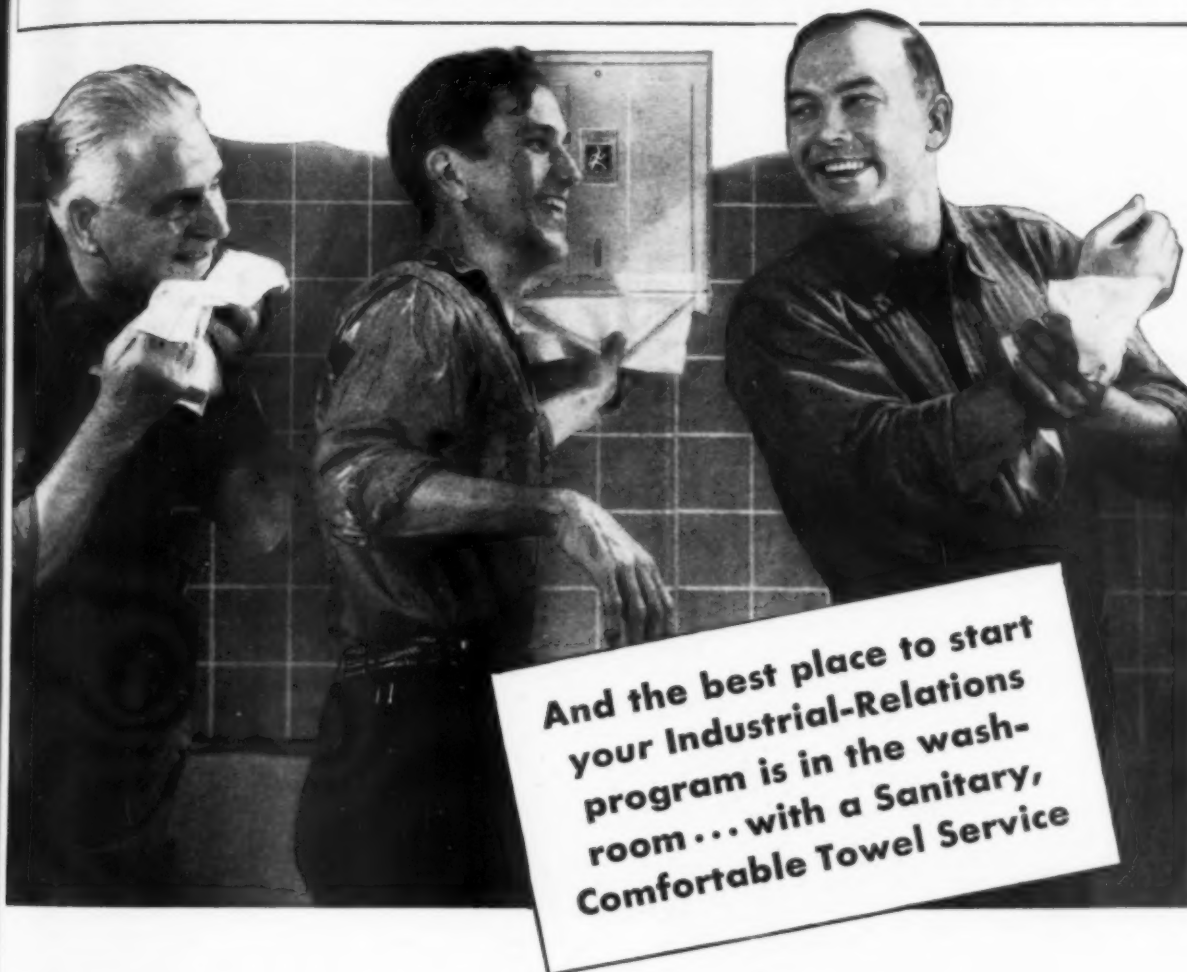
Years ago the Postoffice Department decided to send to Santa Claus, Ind. (instead of to the Dead Letter Office) the thousands of demands addressed to the Christmas saint by trusting youngsters. During the November and December rush about 60,000 letters pour into the sleepy little village daily. Sales genius was quick to see the implications.

A Dearborn, Mich., automobile worker named Jack Cannon had his



RIVAL ADDRESS—To Santa Claus, Ind., is Christmas, Florida. There, Mrs. Juanita S. Tucker, head of the post office, has a special stamp to add a green Christmas tree to the prized post office stamp, when pieces are sent to her to be remailed.

PRACTICAL *Industrial Relations* Begin with **HUMAN RELATIONS**



And the best place to start
your Industrial-Relations
program is in the wash-
room . . . with a Sanitary,
Comfortable Towel Service

TODAY, more than ever, a *practical* industrial-relations program must take *human* factors into consideration. Your program is "on trial" in places where management's attitude is daily reflected—where employees meet that attitude face to face—in washrooms and locker rooms.

Employees look not only for adequate, safeguarded working conditions . . . prevention of industrial hazard and contagion . . . but also for clean, comfortable wash-up conditions.

ScotTissue Towels offer a practical, necessary service that employees appreciate. Soft, clean and comfortable to use, they're

specially processed to provide the utmost in absorbency. One usually dries *drier* than four ordinary paper towels . . . that's why they actually cost less than any other towel service! And how employees like a new, individual towel for each using!

Test ScotTissue Towels . . . in your own washroom. Let us send you a generous supply of these economical, real-drying towels . . . free! Mail your request on your business letterhead to Scott Paper Co., Chester, Pa.

SCOTTISSUE, the same toilet paper that is preferred in millions of homes, is now available in Service-Roll form to large industrial users, at surprisingly low cost.

Thirsty Fibre
Really DRIES



ScotTissue Towels

BY THE MAKERS OF SCOTTISSUE, WALDORF AND SCOTTOWELS FOR HOMES

5 "Don'ts" for Busy Men

Don't let unattended details pile up on your desk. Handle 'em as they come up. Get 'em off your mind and on their way . . . *Get a Dictaphone!*



Don't give a lot of good ideas a chance to die of inaction. If it's a vague hunch, dictate an outline for further thought. If it's ready to use, put it right into action . . . *Get a Dictaphone!*



Don't make a shorthand machine of a good secretary. Let her keep on *doing things*, even while you dictate . . . *Get a Dictaphone!*



Don't risk confusion when you give or take instructions. The spoken word is written word, when you *talk across the mouthpiece* of a Dictaphone.



Don't take this modern dictating machine for granted. Let us lend you a Dictaphone to try. No obligation.

THE TREND TO **DICTAPHONE** SWEEPS ON

Dictaphone Sales Corp., 420 Lexington Ave., N. Y. C. In Canada—86 Richmond St., West, Toronto
I would like to talk with someone about the loan of a Dictaphone at no expense to me.

BW-11

Name _____

Address _____

Company _____

The word DICTAPHONE is the Registered Trade-Mark of Dictaphone Corporation. Makers of Dictating Machines and Accessories to which said Trade-Mark is Applied.

name legally changed to Santa Claus moved to the Indiana town of that name, and attempted to claim all Christmas letters addressed thereto. His plan appeared to include furnishing stores with lists of trusting letter writers and their specified Christmas wants. There is a remaining organization in the village which uses old railway cars for its operations. It rewraps and remails packages which then go out with the Santa Claus postoffice stamp on the covers. Letters and postcards also are remailed there to get the magic name on the stamp cancellations.

Manufacturers' letters for relaying to Christmas buyers are now pouring in from all points. Special extra clerks from Louisville will take care of the deluge. While all this is good merchandising for manufacturers and distributors, it is just another Christmas headache for the Post Office Department. In 1931 it tried to get from under.

During that black year Postmaster-General Brown was informed that a big corporation was sending 1,000,000 pieces of advertising mail to be remailed from Santa Claus. He ordered extra clerks to prepare for the job; then the company changed its mind. It made Mr. Brown so mad that he threatened to change the town's name. Under a hurricane of protest from all over Indiana, Mr. Brown hastily retreated. Besides, as it turned out, the Post Office Department has no authority to change the name of a town. That right belongs to the citizens of the town itself.

Begin Main TVA Trial

Three federal judges at Chattanooga hear injunction suit of 18 public utilities.

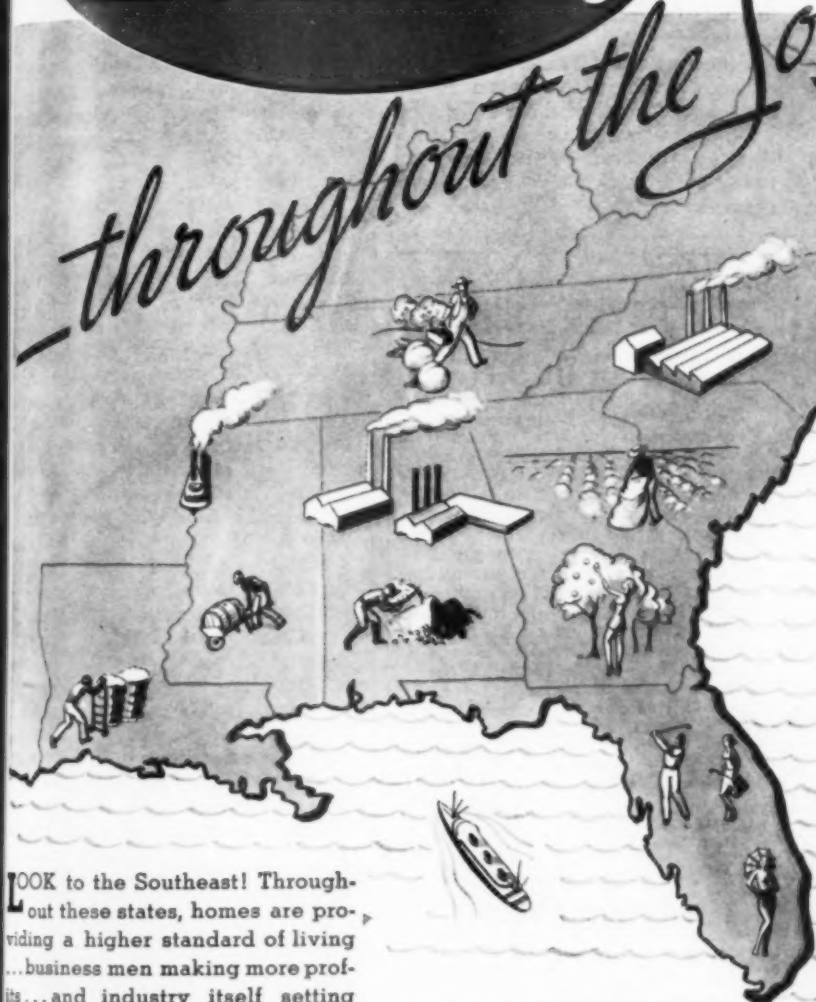
IN a courtroom swarming with lawyers, 18 public utility companies this week launched a suit which is designed to settle, once and for all, Constitutionality of the Tennessee Valley Authority and the government's "yardstick" power policy. The case is being tried in United States District Court in Chattanooga, TVA's "home town."

The suit is by no means new, though legality of TVA is now coming up for the first time. It was started in August, 1936, asking an injunction against TVA's proselyting of private utilities customers prior to a Constitutionality ruling. The companies got their injunction in federal District Court, but TVA had it voided in the Circuit Court of Appeals. The Circuit Court ruled that the injunction was not in the public interest—would impede the fight for cheaper electric rates—and remanded the suit to the lower court for a final fight on the right of TVA to be in the power business (BW—May 22 '37, p. 44).

Sitting in the case is Judge John J.

Carrier Air Conditioning

throughout the Southeast!



LOOK to the Southeast! Throughout these states, homes are providing a higher standard of living...business men making more profits...and industry itself setting new records for economical production. All of this aided by the controlled temperature and humidity that Carrier Air Conditioning makes possible.

More than 30 years ago, Carrier developments brought air conditioning to the textile industry of the South, freeing the mills of production variations caused by uncontrolled temperature and humidity. And from these developments came the refinements that today assure passengers a clean, comfortable reception at the Shushan Airport in New Orleans...that enable continuous production at the Masonite Com-

pany in Laurel, Mississippi, by maintaining proper humidity conditions...that control delicate chemical reactions at the Tennessee mills of American Bemberg Corporation and permit efficient, year 'round rotogravure printing for the Louisville Times.

What Carrier has done in the Southeast is typical of what Carrier is doing everywhere—in homes—in more than 200 industries—in every type of business—throughout 99 countries of the world. The coupon at right will bring you information as to what Carrier Air Conditioning will do for you!

★ CARRIER CORPORATION ★
Syracuse, N. Y. • Desk 848

Without obligation, send me complete information on Carrier Air Conditioning for my ☐ factory; ☐ store; ☐ office; ☐ place of business; ☐ home.

Name _____
Street _____
City _____
State _____

Gore, a Harding appointee, who originally restrained the TVA pending the time when he could rule on Constitutionality. With him is sitting Judge Florence Allen, a Roosevelt appointee, who was one of the Circuit Court judges who voided Judge Gore's injunction. The third on the bench for this trial is Judge John D. Martin, another Roosevelt appointee.

Charge "Unfair Competition"

Leading the bevy of utility lawyers when arguments started this week was ex-Secretary of War Newton D. Baker. Head man in TVA's counsel of 10 was James Lawrence Fly, the Authority's general counsel.

The suit opened with the utilities

charging that TVA is unconstitutional because it constitutes "unfair competition subsidized by the government" and "will destroy all or a large part of the business and property of the companies." TVA says the case in which the Supreme Court approved sale of Wilson Dam Power (BW—Feb 22 '36, p7) settled all the points at issue. But the utilities believe the high court let Wilson Dam get by because it was a wartime project designed for national defense—in which electric power generation was merely an incident. The utilities believe the other TVA dams were built for power and that their national defense, flood control, and navigation aspects are camouflage.

JUST THE THREAT OF A PATENT SUIT ALMOST KILLED THIS NEW PRODUCT

Here is a page from recent American business history that illustrates the valuable and unique services offered by our Corporation to manufacturers, business men and distributors. A manufacturer perfected a new product with promising possibilities. He was ready to place it on the market when another company threatened to sue, contending that the product would infringe upon a patent they owned. That ended the new product for the moment. Long negotiations followed. At last it was agreed that the new product did not infringe. No patent suit developed. But in the meantime the manufacturer missed sales that would have meant thousands of dollars of net profit for him.

The services of National Patent Corporation in this situation would have worked like this: The manufacturer would have come to us first. His product would have been investigated, through patent counsel mutually agreed upon. If it was found legally safe to make and sell, we would have issued a contract to him for the amount of protection he wanted against loss from patent litigation. Then, when patent litigation threatened, he could have gone ahead with his plans, secure in the knowledge that if loss resulted he and his customers were protected to the amount of his contract. His fee to us would have been insignificant when compared to the loss in sales he suffered.

We earnestly solicit inquiries from business men, manufacturers, distributors and patent attorneys. A booklet fully descriptive of the many ramifications of our service will be sent upon request.

NATIONAL PATENT CORPORATION

ESTABLISHED 1926



Oldest and Largest Organization in the United States Offering Protection Against Patent Litigation

135 S. La Salle St., Chicago • 90 West St., New York
1150 Griswold Street, Detroit

MORE TONS ARE HAULED ON
GOOD YEAR CONVEYOR BELTS
Than on Any Other Kind!

Hotel Men's Powwow

Room counts are up but are payrolls. New devices shown at convention.

HOTEL men converged on New York for the 22nd National Hotel Exposition at Grand Central Palace, Nov. 15-19. Room counts have been holding their own despite the slide-offs in some businesses, but payrolls chargeable directly to room rents have bulged. In figures on 20 representative hotels reported by Horwath & Horwath, hotel accountants, room sales actually increased 2.61% from June, 1936, to June, 1937, while room payrolls bulged 16.49%.

When General Business Slips

Though no fresh figures on food and beverage sales are available, it is common knowledge among traveling men that when general business slips, the eagle-eyed accounting departments scrutinize swindle sheets with increased avidity, thus causing the boys to sidestep main dining rooms for side-entrance cafeterias. Managers of a business whose annual room sales in the United States total \$500,000,000, and whose food and beverage sales total \$550,000,000 and \$140,000,000 respectively (Hotel Management figures) came in increased numbers to the Hotel Show to see what 50 exhibitors (almost 50% more than last year) might have in the way of new and lucrative ideas.

New ideas in kitchen and below-stair equipment range all the way from a high-speed electric can opener to a giant automatic ice cuber which takes 100-lb. blocks of ice and cuts them into 20,000 ice cubes per hour; from a machine for molding uniform hamburgers at 2,000 per hour to a cup and saucer dispenser which will pre-heat 200 pairs of them a time.

Ideas for Dining Room

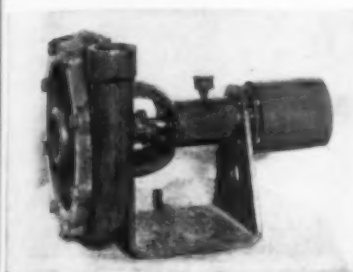
New ideas for the dining room range from juice glasses in the form of oranges and tomatoes to tastefully colored table linens, and to banquet tables with legs that refuse to wobble. Above-stairs ideas range from cordless Venetian blinds which operate at the flip of a latch, to sponge-rubber mattresses, and soundproof door closers which look like velvet drapes. Beer will be ensured the patrons of hotels by at least five different new methods of storing, chilling, and dispensing.

General trends in ideas all point to hotels with summer and winter air conditioning, to guest rooms and lobbies with more comforts than home, to restaurants with foods fresher than fresh by reason of quick freezing, and cooked to the king's taste on equipment which gleams in aluminum and copper and monel and stainless steel.

New Products—New processes, new designs; new applications of old materials and ideas.

NEWEST idea in first aid training is the "M.S.A. Anatomical Shirt." When fitted to a live model, a demonstrator can readily show the locations of arteries, bones, and organs of the torso and arms. As made by Mine Safety Appliances Co., Braddock St., Pittsburgh, the garment itself is a durable sweat shirt, printed on front and back in black outline and colors.

THERE'S something intriguing about the staunch simplicity of the "YU type" pressed steel frame used on a new line



Business Week

of ball-bearing single-stage centrifugal pumps now in the production schedule of Worthington Pump & Machinery Corp., Harrison, N. J. Available for belt or direct-connected motor drive, they will handle capacities from 10 to 800 g.p.m., at heads of 10 to 120 ft.

FIRST award in the decorative group of the Second Modern Plastics Competition goes to the "Aristocrat Stapling Machine" of R. H. Hotchkiss Co., Nor-



Modern Plastics

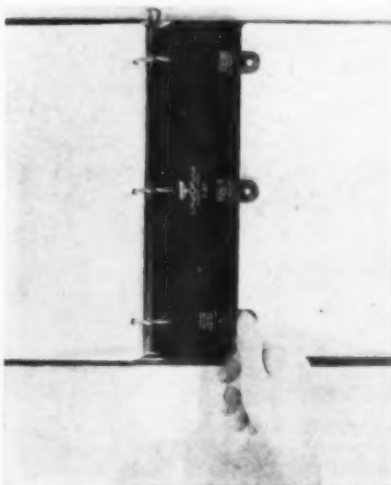
walk, Conn. Mechanism is totally inclosed by the plastic material, Catalin, in two color combinations: ivory and blue; green and black. Miss Orlo Heller of Bortic Studios, New York, cooperated with Plastic Turning Co., Leominster, Mass., in evolving the design.

CHIEF feature of a new metal gun just entering the market from Stevens Metal Spraying, Inc., 83 Shipley St., San Francisco, is its gear shift for more precise control. A flip of the finger throws the outfit into high gear for spraying metals of comparatively low melting point like lead, tin, cadmium, and zinc. Another

flip throws it into low for spraying aluminum, copper, brass, bronze, and various grades of steel.

If all goes well, the Nov. 21 rotogravure section of New York Times will carry an advertisement for Aluminum Co. of America printed in part in lustrous aluminum ink. Up to now metallic inks have been a sticky problem in rotogravure. Researchers who have been working on it for some time past are hoping that they will also be able to provide gold ink with sufficient fluidity for the purpose.

USERS of ring books everywhere should hail the anonymous inventor of "Nat-O-Punch," the new and handy punch for attachment to the rings of ring books themselves. Being lined up in advance,



Business Week

punched holes cannot help fitting rings. National Blank Book Co., Holyoke, Mass., will supply punches with ring books or as separate units.

VELVET is a grand material for draperies and display backgrounds in exposition exhibits, but by the time most of it has been packed and shipped to a succession of showings it is likely to become "crushed" beyond revival by steaming. Exhibitors as well as people interested in velvet as garment material will welcome a new crush-proof process for rayon pile fabrics of the transparent velvet type developed by the Rayon Dept., of E. I. du Pont de Nemours & Co., Wilmington, Del., and now being licensed to leading velvet manufacturers. DuPont is also bringing out "Neoprene Cement" as a bonding agent for articles of neoprene chloroprene rubber composition.

Save your money, time, temper and furniture by demanding that all movable equipment roll on Casters that "Reduce the Overhead that is Underfoot."

DARNELL
CASTERS & WHEELS

are precision-made from only the highest class materials, assuring a long life of efficient, trouble-free service. Write for illustrated Catalog

DARNELL CORPORATION, LTD.
LONG BEACH, CALIFORNIA
OFFICES IN ALL PRINCIPAL CITIES

A BUSINESS NECESSITY \$95 but ONLY

WORKING-TIME records, mechanically registered by the employees themselves, are vitally valuable in these days of emphasis on Wages-Hours and Social Security Taxes.

A CINCINNATI Time Recorder will provide incontestable records of the kind every employer needs.

Illustrated above is CTR SERIES 400 (New). Fully adequate for moderate size business or departments. Send for descriptive literature.

THE CINCINNATI TIME RECORDER CO.
Established 1896
1735 Central Ave. Cincinnati, Ohio

Foreign Television Goes Slow

Report on British, German, and French experience shows commercial operations have been little more than promotional so far. British are now getting set prices down.

AMERICANS who have been asking such questions as: "What is the lowdown on television?" "Is commercial television just around the corner?" "Is it a good prospect as the next boom-builder?" will study with interest a report just released on television abroad, particularly in England where commercial programs have been on the air for about fifteen months.

This shows that during England's first actual year of practical experience with television, ending in August, less than 10 British manufacturers of radio sets actively promoted the sale of home television receivers; that they and their dealers sold only about 1,350 sets to consumers, while about 800 more sets were placed in the hands of dealers for display and demonstration.

Activity Largely Experimental

The study, based on a first-hand survey of foreign television by O. Fred Rost, editor of *Radio Retailing* and published in the November issue of that McGraw-Hill publication, concludes that, so far, the activity in England, France, and Germany—often exaggerated here—has been largely experimental and promotional in character.

Retail prices of British television sets sold during the first year started from about \$375, averaging \$450. Dealer discounts amounted to 20% on most sales. Total billings of all manufacturers could barely have reached \$800,000 for the year. The British set-makers are agreed that, while the industry is in its pioneering stages, there is little or no chance for coming out even on these television sales.

They explain that, to protect their good name in the radio field, they must exercise extreme caution when entering television. For instance, most of them do not allow their dealers to make home demonstrations, none permit dealers to install the set and aerial after a sale has been completed, and all who were actively in the field during 1936-37 provided for one year of expert servicing of sets at no expense to dealer or consumer. This runs up expenses, but they feel that extraordinary expenses and heavy losses will be justified if the industry expands as they hope it will.

British manufacturers and dealers also agree that the future of the television industry depends upon the length and variety of programs provided, an expensive receiver being of little use to the purchaser if programs are confined



ALEXANDRA PALACE—Britain's one television broadcasting station serves an area with a 50-mile radius around London.

to one or two hours a day and to only very limited types of entertainment. Hence they welcomed the recent expansion of field broadcast activities by the British Broadcasting Corp. (owned and operated by the government) by the use of portable apparatus, which has made possible the televising of the Coronation, tennis matches, etc.

The second year of British commercial television got an auspicious start when the British national radio show, known as the "Radio Olympia," was held late in August. Public interest was greatly stimulated by the demonstration booths of various manufacturers, which were packed during each broadcast period. Coincidentally, the B.B.C. added another hour of daily broadcasting (11-12 noon), which not only increased the period of possible use of sets by 50%—from two hours a day to three—but doubled the broadcast time during business hours when dealers could make demonstrations, promote and close sales.

With these developments, the British manufacturers decided to broaden their sales opportunities and at the "Radio Olympia," they introduced lower-priced sets, starting from \$175.

Under the stimulus of the extended broadcast period, better programs, and more popular price ranges on receivers, they expect the second year of commercial television to produce better results. Some estimates of probable sales by all makers go as high as 12,000 units for the year. Actually, since this year's show, the dealers of some makers are selling as many sets in one week as they had previously sold in several months—though that isn't saying a great deal.

Tap Only 20% of Market

In discussing the future of television, manufacturers point out that with only one broadcasting station in operation they are at present able to tap only about 20% of their market as far as the British Isles are concerned. Reception of television broadcasts is effective only within a radius of 50 miles from the station, is at its best within 25 miles. This means they are now only serving a limited area around London, while the rest of the country is in "darkness" as far as television is concerned, and they can't hope to cash in on their present investment until enough stations have been built to blanket the market.

The survey on the Continent revealed that commercial television is still distant in France. Construction of a broadcast station is under way there; but plans for exploitation are very indefinite. Germany, on the other hand, is preparing to put television on a commercial basis early in 1938. Its present broadcast equipment used experimentally for two years is being changed over to give 441-line pictures. Two powerful new stations are being built.



TELEVISION A TRIP TO THE ZOO—Although British television has been limited to a few hours a day, program planning has been a problem. Such broadcasts as the trip to a London zoo are expected to appeal to children.



An outdoor crew at work televising a sporting event at the giant Olympic stadium in Berlin.



Two techniques are used for televising drama. A movie can be made and that televised, or a broadcast can be made direct from the action, as here in a Berlin studio.



In Germany, exhibitions in the large cities have served to introduce television to the public, and the government is interested in this new propaganda weapon. Above, the Telefunken booth at the annual radio show.



Each day some 600 people visit the television demonstration in Selfridge's famous London department store. Sales average approximately two sets a week.



TIP-TOEING OUT OF HIS LIFE

Real barriers to the true enjoyment of family life are those created by worry over the future and a sense of financial helplessness.

The father who is beset by these fears misses the things he wants most, just because he is so very fond of his family and feels such an intense sense of responsibility toward them.

Many men are getting rid of these worries by facing the situation as squarely as they would face a business problem. They are finding that life insurance is the way to make certain that whatever happens, the family will always be protected, that plans for their progress will be carried out.

Our booklet describing the life insurance way to family security will interest every husband and father. Send for your copy.

CLIP THIS COUPON
for a book explaining
how life insurance
can keep your family
secure.

JOHN HANCOCK MUTUAL LIFE INSURANCE CO.
DEPT. E, 197 CLARENDON ST., BOSTON, MASS.
Please send me your booklet, "Tip-Toeing
Out of His Life."

NAME.....

ADDRESS.....

CITY.....

**JOHN HANCOCK MUTUAL
LIFE INSURANCE COMPANY**



WY W. COX, PRESIDENT



LOOKING INSIDE one of the new sets which Telefunken, a German company, will put on the market early next year this is what you find.

one atop of the "Brocken"—highest peak in the Harz mountains—from which an unprecedented range of coverage is expected.

Fernseh Aktien Gesellschaft (a Zeiss subsidiary) and Telefunken are putting home television receivers on the market early in 1938. It is whispered that Der Fuehrer expects to have manufacturers produce and market an extremely low-priced "Volksgerät" for television so as to enable the government to exploit the propaganda possibilities of this new medium to the utmost.

G.E. in Television

Files applications with FCC for four stations to try out its own equipment.

Applications for the erection and operation of four television transmitters were submitted by the General Electric Co. of Schenectady last week; they were the first to be filed since the Fed-



LEAST EXPENSIVE of the new British television sets to go on sale next year is this table model made by General Electric, Ltd. (an English company). Price: \$175.

eral Communications Commission allocated the high-frequency channels a month ago. If and when the applications are approved, G.E. is planning to invest \$360,000 in the experimental stations.

Two would be of 10,000 watts each and would be located in Albany, N. Y., and in Easton, Conn.—12 miles from G.E.'s Bridgeport plant. Two others would be of 40 watts each and would be located in Schenectady. All four applications request assignment of the single television channel between 44,000 and 50,000 kilocycles—the lowest frequencies marked out by the commission for the use of television—on the assumption that there would be an adequate distance separation between the stations.

Filing of the applications marks the formal entrance of another big and potent equipment manufacturing company into the television field, for G.E. has indicated that it would experiment with a good deal of apparatus developed in its own laboratories. Tubes and other specified parts will be obtained from the Radio Corporation of America.

The Commission has not yet set a date for hearings or even indicated whether it would conduct any.

Mexican Oil Surprise

Sudden concession to British in exchange for big loan is a reversal of policy.

EARLY in September, *Business Week* made a study of the critical oil situation in Mexico and arrived at this conclusion:

"The warning to labor by President Cardenas last week may have been due to a feeling that it was getting out of control. It is more likely that the government is feeling the pinch of lower tax revenues from the continued inactivity in the rich petroleum districts. No major, long-term concessions are going to be granted to the foreign oil companies, however, until the pinch is much more serious (BW—Sept 18 '37, p42)."

That pinch has come. Reserves of the Bank of Mexico have dropped from a currency coverage early this year of 85% to a bare 48%. Curtailed activities in the oil industry, during the long period of labor troubles, have cut drastically into government revenues, and there is the threat that the great mining companies may be caught in the same situation unless the extreme demands of labor are curbed.

Two developments this week indicate that Mexican policies are changing, and the financial pinch in which the treasury finds itself seems to be a logical explanation for the moves.

The Mexican Eagle Oil Co., a subsidiary of the British-controlled Royal

Choose THE ADVERTISING AGENCY

You Can Plug In



When you retain a member of the Continental Agency Network (C.A.N.)

as your advertising agency, you secure not only the personalized service of a medium size agency covering all phases of merchandising and advertising, but you secure in addition a national viewpoint and a national coverage through its nation-wide working contacts with all other agency members of the group.

You can thus "plug your agency in" at any time and in any of eleven major markets—for spot service or for unbiased market information quickly and at moderate cost.

C.A.N. is a closely-knit association of independent, nationally recognized advertising agencies, each of which acts as the regional office for the others. Thus when you retain the C.A.N. agency member in your territory, you have access to the regional service of ten other advertising agencies as needed.

Advertisers are finding that this national scope now completely rounds out the clearly established advantages of medium size agency service. Why not talk to your nearest C.A.N. member—and find out for yourself? Or write for the brochure explaining C.A.N. operations in full.

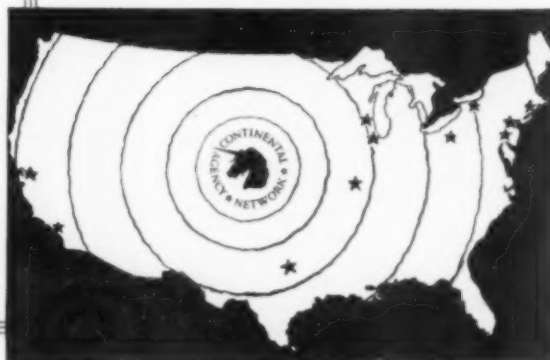
SEE HOW C.A.N. WORKS (Case #48): A client of a Pacific Coast C.A.N. advertising agency wanted immediate information on two new products being distributed in a midwestern market and competitive to his own products. His agency wired the St. Louis C.A.N. member agency which, through familiarity with the local situation, obtained the necessary information and forwarded it to the Pacific Coast affiliate within 36 hours. That is C.A.N. agency service.

These Nationally Recognized Advertising Agencies Are Members

CHICAGO
The Pensholt Company
DALLAS
Bruck-Sachs, Inc.
LOS ANGELES
Don B. Miner Company
MILWAUKEE
Scott-Telander, Inc.
NEW YORK CITY
LaPorte & Austin, Inc.
PHILADELPHIA (Headquarters)
John Falkner Arndt & Co., Inc.
PITTSBURGH
Walker & Downing
PROVIDENCE
Larcher-Horton Company
ROCHESTER
Huxley, Wolff & Company, Inc.
ST. LOUIS
Anfenger Advertising Agency, Inc.
SAN FRANCISCO
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CONTINENTAL AGENCY Network

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Dutch-Shell, already in control of nearly 60% of all Mexico's oil production, has been granted contract rights for the development of another 15,000 acres of potential oil lands in the neighborhood of their present 7,700-acre field near Tampico, and in a new confirmatory contract covering operations of their properties held since before 1917 have agreed to pay royalties to the Mexican Government of from 15% to 35%. The royalty agreement is contrary to a guarantee made to the oil companies in the agreement which the late Ambassador Dwight Morrow negotiated. According to the terms of that agreement, when leaseholds on properties held prior to 1917 were confirmed, no royalties were to be assessed.

Deal Provides for Loan

Another deal with a group of English operators is reported to provide the Mexican government with an immediate loan of \$5,000,000 in return for the privilege of drilling in certain government oil lands, of refining the crude petroleum in new plants to be financed by both the group and the Mexican government, and of transporting oil in a fleet of 10 new vessels which will be built also with joint financial cooperation.

American oil interests declare that no sound appraisal of the deal can be made

until the Mexican government hands down its decision on the controversy which has been raging between Mexican labor unions in the oil fields and the management. Employers met labor's major demands until last spring when they became so costly that the 17 foreign companies operating in Mexico decided that the new cost of the demands of labor exceeded current profits in Mexico and that they would discontinue operations rather than try to continue on terms demanded by the workers.

The Mexican government intervened, the laborers went back to work, and a special study was promised by government authorities, the results of which have been anticipated for several weeks. Until it is known whether or not the government is going to force labor to accept modified demands, it is contended by the American operators that no plans for the future can be made. This applies to the Royal Dutch-Shell operations as well. Oil circles do not view the concession from the Mexican government as something pressed just now by the British. It is simply one of many applications which have been on file for a long time. Significance lies in the fact that the Mexican government has granted an additional concession for oil development to foreigners, and that royalties are introduced in direct contradiction to a government agreement.

Standards Act, the Factory, Shop and Office Buildings Act, the Minimum Wage Act, Corporation Securities Act, and the Loan and Trust Companies Act are intended to protect public interest, not to control and regulate business. The attorney-general declares that neither these nor any future laws will be administered in a way to effect regimentation of business.

Three aims are in view in this laying down of policy by the Ontario government: (1) sound prosperity and stable conditions in the province; (2) attraction of industrial plants from the United States; and (3) enlistment of support from business interests for Premier Mitchell Hepburn's ambitions regarding the federal political field.

The idea behind the first two aims is that, given assurance of sound public financial policy and moderate taxation together with freedom from governmental interference in business, private enterprise will be encouraged to expand, and United States industrialists will see in Ontario a haven from economic disturbances in their own country.

Idol of Business Interests

The third aim has been developing ever since Premier Hepburn became the idol of business interests in Ontario and Quebec by his stand against the Committee for Industrial Organization last June.

In Quebec this week, Premier and Attorney-General Maurice Duplessis moved no less definitely in what he believes to be the direction of political and industrial stability. The movement was against militant labor organizations, such as the C.I.O., and against Communism.

He outlawed C.I.O. unions from benefits and privileges under Quebec labor laws. Provisions authorizing unions to nominate committees to seek redress of grievances under these laws were declared withheld from unions affiliated with the Lewis organization. The declaration was arbitrary.

At the same time, he declared that while the government would encourage organization for collective bargaining with other than the C.I.O. organization, it would be unchangeable in its stand against the closed shop in Quebec. He gave as a reason for this the probability that the closed shop would promote racial and religious animosities.

War on Communists

Duplessis simultaneously declared war on Communists. He brought into operation a much criticized law passed by the legislature last spring authorizing the government to padlock premises used for the promotion of Communist propaganda. Several premises, including a newspaper office, a library, and a private home have been padlocked by provincial police.

A better-organized, longer-trend

New Trends in Ontario and Quebec

Hepburn adjusts policies to woo American industries; fights C.I.O. and Communism. And Quebec premier goes further in same direction.

OTTAWA (*Business Week Bureau*)—Two of Canada's provinces, Ontario and Quebec, are scenes of definite new governmental policy trends which will have a profound effect on industry and business if carried further.

In Ontario, wealthiest and most industrialized part of Canada, the recently reelected and reorganized Hepburn provincial government has turned definitely orthodox. Its orthodoxy is not merely the negation of the new deal but the actual revival of the old deal. Keystones of Ontario's economic policy under Hepburn are: (1) sound budgetary position, (2) progressively decreasing taxation, and (3) non-regimentation of business.

These keystones indicate the direction that "readjustment" is to take in Ontario. The province had a substantial budget surplus in the last fiscal year, and has plans now to cut expenditures further. "The less government interferes with business, the better it is for business and for government," says Attorney-General Gordon D. Conant, whose job includes framing provincial laws.

Such recent laws as the Industrial



MITCHELL HEPBURN—Victor in recent elections, proponent of economic orthodoxy, popular with business, Ontario's Premier fancies himself as the next Prime Minister of Canada's national government.

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Filmosounds help make friendly customers of farmer prospects

Scene from "Hidden Harvest," sound-on-film production of Sam Handy Picture Service, Inc. for Purina Mills

PURINA MILLS EMPLOYS SOUND MOVIE TO GAIN AUDIENCE WITH BUSY FARMERS

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WIDE WORLD
MAURICE DUPLESSIS—Quebec's Premier and Attorney-General flirts with the idea of a corporative system bringing business under the control of the state.

movement in Quebec is that for the establishment of a system of corporatism. The aim is to bring business and industry under the control of "professional corporations" allied with the state. Executives and labor would be represented in the corporation, which would control the industry or business. Proponents of the movement say that, although it bears some resemblance to Italian corporatism, it differs from it particularly as regards the extent to which the state participates.

An outstanding purpose is to secure French Canadians a greater share in the control and conduct of the big business and industry of the province, now mainly in the hands of English-speaking capitalists and executives. Several political groups, including the party supporting the provincial government, have endorsed the movement and it is heavily backed by the Roman Catholic Church.

May Join With Hepburn

Underground, there is a feeling that Duplessis of Quebec may join forces with Hepburn of Ontario in an effort to get control of the Ottawa government, establish an administration responsive to the views of business and supported by it—an administration that would restore and fortify old deal ideas.

At Ottawa, Prime Minister Mackenzie King has met the threat by moves designed to strengthen his position. The latest came last week in a declaration that if the provinces would cooperate he would pass legislation at the coming session of parliament for establishment of unemployment insurance and federal employment service. The provinces are asked to consent to a Constitutional amendment to give the Dominion jurisdiction. Three provinces quickly consented, but the others are still considering the project.

Ocean Flying Control

Maritime Commission appeals to Congress for authority. Post Office fights this.

WASHINGTON (*Business Week Bureau*)—Back in 1935, after Sen. Hugo L. Black's air mail and ocean mail inquiries, while scores of people were writing bills which later boiled down to the Maritime Subsidy Act, the Goodyear Zeppelin Corp. suggested a clause providing that the proposed commission make a study and report on possible application of the act and other maritime law to oversea air transport. Post Office officials eyed the provision but let it pass.

Now they rue the day. Having stripped the Post Office of its ocean mail subsidy power, the Maritime Commission this week asked Congress for more law which would place oversea air route development under the commission, and incidentally end the Post Office influence through foreign air mail contract authority. The Department of Commerce, which might lose foreign air safety regulation now exercised under the air commerce act of 1926, will join the Post Office in opposition.

How Aircraft Can Compete

In the aircraft report, Grover Loening, the commission's aviation adviser, contends that lightweight and lower horsepower per passenger in aircraft as compared with ships, plus up to six times the speed, at equal or lower passenger rates, will enable aircraft to compete effectively against superliners. Foreign ship-to-shore and long-range air service, already well advanced, threaten to encroach on American trade routes. Therefore, offshore flying should be developed, with subsidy if necessary, under authority of the Maritime Commission. The Post Office will reply that the Commission was organized to administer a ship subsidy and other acts, and is out of bounds when it takes to the air.

Opponents of an air subsidy reason that since the United States sells airplanes all over the world, a construction cost differential would be illogical and unjustified. But, comes the answer, the United States is able to export airplanes only because other plane-manufacturing countries are busy with war craft. When armament building slackens, foreign low labor costs will at once put airplane production in the same differential ratio with surface ships. The commission thinks oversea craft will pay their own way on the busy routes, but it would offer subsidies for initial construction and operation or would even build and lease equipment to operators.

The differential in cost of dirigibles, which are no longer important in de-

fense, is wide on the American debit side. To come under whatever law may be enacted, the lighter-than-air people will propose transatlantic service, integrated with a German-subsidized Zeppelin schedule, using American helium, export of which was legalized last session. Then buoyant and airfoil craft can fight for business on relative safety, comfort, speed, cost, and other factors. Dirigible interests will offer big-capacity equipment already developed while airplane men must talk about 100-passenger ships they are going to build. The balloon boys feel sure somebody will remind the government soon that 20-hour oversea flights should carry not one crew but two, or maybe three—quite a load of crew for airplanes.

Superliner Group Interested

Only the superliner shipping group will be interested in the Maritime Commission's air auxiliary program. It is they who carry the international business passengers, who alone will pay for air speed. The great majority of sea passengers go for a ride, for a rest, to see things, and are not in a hurry. Oversea air express of bank clearings, films, style goods, emergency supplies and parts, will grow rapidly.

The Interstate Commerce Commission, which would control off-shore aviation by certificate of convenience and necessity if Sen. McCarran's bill became law, will not contest the Maritime Commission's air ambitions. The backers of the McCarran bill will gladly relinquish the foreign field to expedite their bill and get clear of Post Office limits on domestic expansion.

On the question of Pan American Airways' domination of foreign and overocean air, the Maritime Commission finds no legalized monopoly. But like the Post Office and Commerce Departments, it would like to see the world clearly opened by legislation to any qualified American companies.

Shipping Rates Drop

Charges for carrying transatlantic bulk freight take decline of 20 to 35%.

IN July of last year, ocean freight rates began a climb which turned out to be one of the most spectacular in shipping history. In two months they had passed the level of 1929, and before they reached their peak in September of this year, they had doubled.

There were a number of reasons for the sudden rise. World tonnage had dropped 3,000,000 tons during the depression. Britain's rearmament program had touched off the rise in rates, but other nations soon joined the bandwagon. Raw materials prices began a spectacular climb which caused buyers

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all over the world to rush into the market to lay in supplies.

The rearmament boom continues, but the slump in activity in the United States in the last three months and the hesitant purchasing of raw materials in a falling market have changed the shipping picture. Within the last few weeks, shipping rates have dropped from 20 to 35% on transatlantic bulk freight cargoes. Only the liners carrying express freight are booked solidly to the end of the year, but that is in part due to the fact that they have announced rate increases for the beginning of 1938 and there is a rush to complete delivery before these rates become effective.

Scrap Iron Demand Rising

The new lower rates are having some beneficial effects on business. The demand for scrap iron is increasing as it becomes profitable to ship again. Also, the smaller demand at home has released a larger volume for export at favorable competitive prices. Other products have also started to move in greater volume since the beginning of November. But the prospect is for smaller export shipments the next few weeks than in the early part of 1937, and for a modest export business during the first half of 1938.

No Brazil Jitters

New fascist state suspends bond service but honors unfreezing notes.

THOUGH Washington is still alarmed over the possible political and international developments which may grow out of the creation of an acknowledged dictatorship in Brazil, business this week was inclined to view the situation more calmly.

President-Dictator Vargas has promulgated a new constitution, dissolved all legislative bodies, assumed full dicta-



GETULIO VARGAS—"Indefinitely" the head of Brazil's corporative state.



Bread, Butter, and Jam for 13,000,000 People

ARE you one of these 13,000,000 people? Does the income which supports you come from making or selling automobiles, radios, electric refrigerators, or movie films? If so, you are one of them. You are one if that income comes from the rayon or aluminum industry, or any of the other industries which have grown up in a single generation.

Automobiles, radios, gasoline, aluminum—these and many other products exist today because industry sought new products and better ways of building old ones. And after unearthing these new products, industry developed them, found ways to build them better, means to sell them at lower prices.

Today, these industries not only employ millions but—through demands for steel, coal, cotton, transportation—they help support millions more.

Some of the greatest advances in this work have been made through the use of electricity. Through it new products have been developed, and the efficiency of all industries has been increased. In most of these modern electrical developments, General Electric research and engineering have pioneered.


G-E research has saved the public from ten to one hundred dollars for every dollar it has earned for General Electric

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The Globe-Wernicke Co. CINCINNATI, O.

torial powers, announced a suspension of the debt service, and carried through his earlier plan to cut drastically the coffee export tax and put exports on a free basis.

There is no evidence yet of any tie with European fascist states, in spite of the fact that Brazil has large Italian and German populations which maintain their ties with the homeland. Brazil, like a half dozen of the other Latin American states, has not been governed as a true republic for many years, though the forms have been maintained until now.

From the point of view of business men and holders of Brazilian bonds, the most important developments under the dictatorial régime are the suspension of foreign bond service payments, the placing of all exchange on a free basis, and the ending of the scheme to boost coffee prices by restricting the volume of the product which will be allowed to go to market.

Foreign Exchange from Coffee

As long as the coffee restriction scheme was in operation, Brazilian officials demanded that coffee exporters turn over to the government 35% of all of the foreign exchange originating from shipments abroad. Rate paid for this foreign exchange was much higher than the amount the exporter was able to command on the open market. And with the foreign exchange it secured in this manner, Brazil made what payments were maintained on commercial obligations and the partial servicing of bonded indebtedness.

This partial commandeering of foreign exchange is ended under the new régime, but Brazilian authorities are said to have promised to maintain service charges on what is still outstanding on the revalorization loan and on the unfreezing notes which have not yet matured under the commercial thawing agreement of 1933. About one-third of the bonded indebtedness of the country, outside the special coffee loan, was being serviced under the previous government. This is being discontinued, at least until some new agreement can be reached.

U.S. Takes Most of Coffee

Because the United States is traditionally the largest market for Brazil's major crop—coffee—there is, every year, a huge trade balance in favor of Brazil.

The new dictator has already made the statement that this will be taken into account in new debt talks which will be resumed as soon as Brazil discovers what foreign exchange will be available for international payments under the new free export regulations. Until then, exporters are moving cautiously, though banks report that collections have not yet been interrupted.

Business Abroad

Anglo-German talks in Berlin focuses all attention in Europe. Franco victory in Spain expected soon, with Britain backing the victors and thus winning a diplomatic tilt with Italy. Brazil's dictatorship thought to have no new ties with European Fascist states.

THE international situation is slightly easier than at the end of last week. First fears that European Fascism had won a foothold in Latin America have been dissipated in later reports from Brazil (page 53). Apparently an old dictatorship has merely decided to abolish parliamentary forms which were more or less inactive anyway.

In Europe, major interest is focused on the visit to Berlin of Lord Halifax. Does it mean that Britain, having abandoned hope of breaking the Rome-Berlin axis by coaxing Mussolini into an Anglo-Italian accord, is attempting to set up a new pact with Berlin? And what can be the basis for such a pact when London and Berlin see so differently on the question of colonies? London has small hope that anything will be accomplished; Berlin is hopeful, but wary; Paris is non-committal, knowing that Britain will not offend the French to make a deal with Hitler; Moscow is nervous because a deal assuring Germany protection in the West would, according to Kremlin thinking, simply give Germany the desired protection on the West to carry out an expansionist program in the East.

Italy is most nervous over the meet-

ing. If Hitler and Halifax are able to find a basis on which to negotiate an agreement for closer cooperation, it would leave Mussolini more or less powerless to carry out his dream of winning for Italy at least a position of equality in the Mediterranean with the British.

The Spanish situation must be fitted into the picture if the current developments are to be properly evaluated.

It is still difficult to venture a guess as to a date when the civil war in Spain will be concluded, but the consensus in Europe is that it will be in the very near future, and that Franco will be victor.

Two important factors remain favorable to the Loyalist cause. Time has been working in the favor of the Valencia government for the last six months, despite Franco's victory on the detached northern front. It has given the Loyalists the opportunity to train and discipline their army, lack of which was a

serious handicap during the first year of fighting.

Furthermore, when advancing further in the direction of Valencia and Barcelona, Franco will enter the industrialized and densely populated districts of Spain with their proletarian population, and resistance may become much greater than it has been in the agricultural parts of the country.

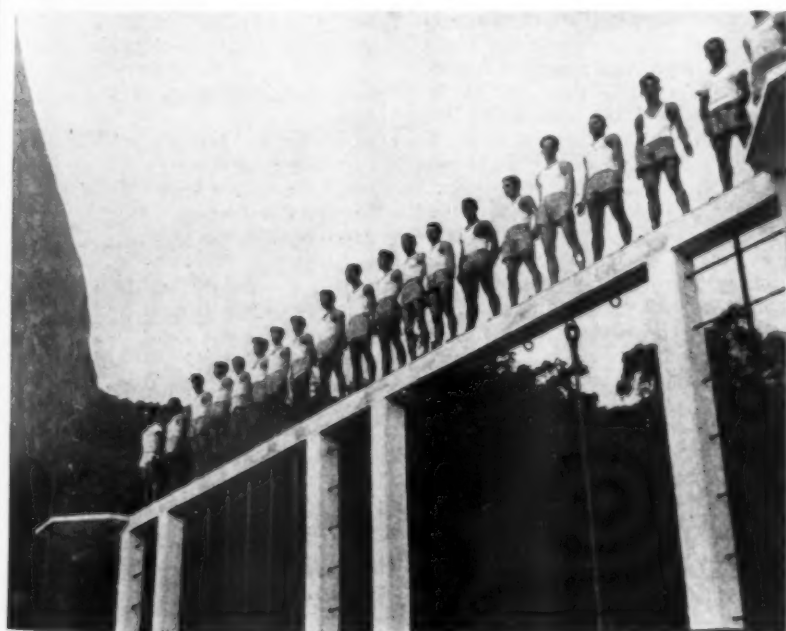
On Franco's side, however, are several factors—both international and domestic—which are of considerable importance. Europe attaches the greatest importance to Britain's changed attitude. London has virtually recognized Franco, and Eden has explained the strategy when he declared that "England has no reason to fear but that a future Franco national government would be pro-English."

Franco will stand to win a great deal by an agreement and close cooperation with Great Britain. It is London—not Berlin or Rome—which can give him the economic assistance which will be necessary for the reconstruction of a devastated country. An alliance with Britain will also free him from the vexatious tutelage of Italy.

Can Mussolini force a victorious Franco government to subject itself to the demands of Italy and Italian advisors? Europe's guess this week is that he cannot, for in the end it would mean war against a united national Spain which in this case would receive 100% backing from Britain.

Paris sees another indication of a British, rather than an Italian, victory in Spain. Franco is reported to have said in an interview that he was willing to place on the throne the third son of former King Alphonso, who is pro-British and is now serving in the British navy. This is one more evidence of the turn affairs have taken in the last three months in negotiations which have gone on behind the scenes.

In the Far East, there is no sign of mediation, except that Hitler and Mussolini are both reported to be ready to act as intermediary. Japan has already more or less completed occupation of the region in the north which it claimed once was its goal. With the Nanking officials forced to flee further into the interior (they were reported as long ago as 1934 to have made preparations for such a retreat), it is doubtful if China can longer resist accepting the terms laid down by Japan. Important point is that Japan has accomplished this goal in China with so little loss of men, and at a comparatively low cost. It means that Tokyo still has tremendous reserve strength for a Soviet campaign if one develops in the next few years. This may be one of the factors which would influence Tokyo to come to terms over China rather quickly. Berlin could provide eloquent arguments for such a stand.



IT LOOKS FASCIST—Since last week's coup which made Brazil a corporative state, the U.S. has been wondering whether it has a Fascist neighbor to the South or not. Some observers say Brazil's new government is definitely Fascist. Others say that the essence of Fascism is the belief in economic betterment through foreign expansion, and, because Brazil's new government has no aims in that direction, it is not Fascist. At any rate, this picture of young Brazilians posing on a giant exercise bar is reminiscent of pictures from Italy and Germany of youth movements in those nations.

Canada

Business reacts to U. S. depression, but many factors are still favorable.

OTTAWA — Fresh evidence came to light this week to show how far Canada is reacting to the business recession in the United States. Completion of surveys for October reveals irregularity in industrial operations, including manufacturing. Many industries have maintained operations at the high levels of former months, but more losses than gains are recorded. Gains are largely confined to heavy industries. With industrial production generally ahead of last year, business observers look for a more active early winter season than in 1936. Rural buying is still fairly well sustained, balancing in part the effect of the stock market slump in urban spending.

Canadian export trade is reacting to the United States slowup. While the October total of \$103,702,000 is a substantial gain from September's \$95,226,000 it compares with \$113,000,000 for October, 1936. October's \$13 millions of wheat exports compares with \$29 millions for the previous October, while wood pulp at \$4.5 millions is almost double the October, 1936, amount.

Carloadings for the week ended Nov. 6 were 56,987 against 59,689 the previous week, and 57,983 a year ago. For the calendar year to Nov. 6, the total was 2,245,581 against 2,082,639 for the previous corresponding period. Bank clearings from the Atlantic to the Pacific in the past week were mixed, but declines in Montreal, Toronto, and Winnipeg brought the average to 14% below that for the same week last year. The official economic index for the week ended Nov. 6 stood at 102 compared with 105.7 for the previous week and 110.7 a year ago. Railway earnings were up slightly for the week.

Social credit in Alberta received a severe blow in conviction of two of its leaders on charges of publishing defamatory libel when they knew the information was false. The libel was contained in a pamphlet titled "Bankers' Toadies" which attacked leading Alberta citizens opposed to Social Credit. George F. Powell, Social Credit "technician" sent from the London headquarters of Major C. H. Douglas' economic cult to guide the Alberta government, was sentenced this week to six months at hard labor with a recommendation to federal authorities that he be deported. This followed sentence of Joseph H. Urwin, member of the legislature, to three months. The court held the convicted men were causing unrest which might lead to disorder. Their condemnation is expected to give a further setback to the Social Credit experiment.



Soviet Russia Prepares for Its First Secret Elections

Leaders of Russia's Communist Party (less than two million strong but the sole ruling force since the Revolution) have long contended that they were working toward the day when, with an educated electorate, government in Russia could be made truly democratic. In June, 1936, an important step was taken toward this with the promulgation of the new Stalinist Constitution, revolutionary point of which was the provision for secret elections, the hallmark of democracy.

On December 12th the first of these elections will be held, and for months a queer kind of campaigning has been going on . . . queer because there is only one party—the Communist—and the campaigning has taken the form of educating the nearly 100,000,000 non-Communists who are eligible voters in their rights and privileges under the new law. In the picture above a group of peasants and aged pensioners are studying the election law.

That all candidates have the same platform in the sense that all are 100% in favor of the Stalinist Administration, does not make the elections meaningless. Rather, the Communist ideal is to wage the contests on the basis of individual qualifications.

In water shipping the season's record was up and down. While the Port of Montreal reports a loss of 50 vessels from last year in harbor entries, tonnage through Sault Ste. Marie locks was at an all-time high, 831,391,000, a million over the former 1929 peak.

The asbestos industry in Quebec is a bright spot in the Canadian picture. For eight months of the year, production was up 30% from last year and sales contracts are renewed for 1938 at a reported 15% price advance.

Plant extensions announced this week include Union Packing Co. in Alberta, Canadian Atlas Steels at Welland, Ont., Canadian General Electric at Toronto, and Manitoba Cold Storage at Winnipeg.

Canadian cattle exports to the United States increased 30,000 head this year over last but with American prices more attractive than British, exports to the United Kingdom dropped an almost equal volume.

Newsprint export to the Antipodes is stabilized for a seven-year period through a new agreement between North American producers, mostly Canadian, and leading Australian and New Zealand consumers. The agreement covers the period 1939-45 inclusive and under it the North American mills will

supply from 75% to 80% of Antipodean consumption. Price basis is the price for New York delivery by the companies concerned less freight to New York and plus ocean freight to Australian and New Zealand ports. Producers involved are International Paper, Consolidated Paper, Price Bros., St. Lawrence Company, Mersey, Powell River, and Pacific Mills.

Following reorganization of Ontario Hydro Electric Commission, taken to signify reversal of such former policies as contract repudiation, prospect of a new contract with Beauharnois Power Co. of Montreal is revived. This is the only company of the group suffering from repudiation which has not secured a new contract.

Great Britain

Arms program provides powerful backlog of business to curb recession. Automobile sales lag.

LONDON (Cable)—British stock markets continue to react to Wall Street and to the troubled international situation in Europe. While commentators insist that currency stabilization would



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remove many of the uncertainties behind the present market slump, there is more discussion in the City of methods of forestalling a future depression. One school favors a revival of foreign lending, suspended completely since the depression. Another is agitating for a vast public works program which will pick up the slack when the arms program begins to taper off.

While the arms program has been making tremendous progress for the last nine months, it will continue to occupy heavy industry for another three years except as small divisions are able to complete their orders ahead of time. This assures business of a backlog of heavy orders, but the serious curtailment of buying by the big raw material producing nations—which is already beginning because of the serious recession in prices obtained for their commodities—is already beginning to worry some of the export industries which, because of their nature, have a minimum of war business.

The automobile industry reports that car sales are already lagging, but Lord Nuffield, head of the huge Morris Motor industry, persists in his optimistic outlook and says that 1938 prospects need cause no anxiety.

Engineering industries still report full order books, but increased costs of raw materials have made profit margins smaller.

Aggregate net profit of 300 representative British companies whose annual reports were included in the Exchange Telegraph Co.'s report for October, amounted to £28,974,000, an increase of £7,974,000, compared with results for the same companies last year.

The Halifax mission to Berlin has aroused wide interest in Britain, though it is believed that little can be accomplished. It is not felt that these talks will endanger Anglo-French understanding, but there is some feeling that the talks will materially widen or narrow Anglo-German differences. Germany has already stated its colonial claims very concisely, so that without a reversal of Britain's policy it is not seen how any progress in the present talks is possible except on the assumption that Germany will be satisfied with trading arrangements giving Germany improved commercial opportunities to obtain raw materials.

Soviet Union

Moscow decrees new drive to boost armaments output. Coal output mounts under Krenlin's No. 1 efficiency expert.

Moscow (Cable)—Russia has started a drive to speed up the output of her armament plants.

An order this week by Michael

How many "mental sit-downers" have you in your organization?

"In every factory and store, among office workers and salesmen, costly 'sit-downs' have been going on for a hundred years—*mental sit-downs*", Says Craig Davidson. "Commands to do thus and so have met with mental sit-downs which have been just as effective in blocking production and sales as any physical sit-down that ever stopped an assembly line."

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Kaganovich, Commissar of the Defense Industry, announced the inauguration of a year-end Stakhanov drive to spur production. The campaign is inspired by the October appeal of War Commissar Voroshilov for more metal and fuel, and for better machines for the armament workers "for the defense of the Fatherland."

That the appeal has been caught up by the nation is evident by the releasing of a flood of resolutions from workers demanding that the authorities officially inaugurate the drive. The Kaganovich order provided for (1) the dispatch of the best engineers to check up and stimulate work in war plants; (2) daily reports on output of the most important plants; (3) steady promotion on a merit basis of the rank and file of workers; and (4) a national conference of Stakhanovites in January to sum up the achievements and shortcomings, and to draw up a program for the continuation of the drive next year.

Another Kaganovich figured prominently in this week's economic news. This was Michael's brother, Lazar, Russia's ace administrator who has now added new proof that economic drives like the Stakhanov movement and Socialist competition, which are based on the stimulus of patriotism, must be backed up by capable business leadership if they are to be effective. After the failure of other administrators, Kaganovich took over that national headache—the ailing Soviet railway system—and in a miraculously brief period boosted carloadings from 50,000 daily to 100,000, drastically reduced accidents, and established rigid time schedules. He has already estimated that for 1937 Soviet railways will transport 20% more than the payload demanded in the Plan.

He has more recently accomplished a second miracle by pulling the coal industry out of its chronic doldrums. Since his thorough overhauling of the coal administration early in September, daily coal output has been steadily rising. Largest gains have been in country's richest coal basin, the Donbas. From 83.7% of fulfillment in mid-September, output rose to 88.2% in mid-October and to more than 95% in mid-November. It is now expected that the coal industry will fulfill its yearly plan for the first time in many years.

France

Parliament reconvenes without danger of serious opposition. Prices decline.

PARIS (Wireless)—As in Washington, the country's statesmen have returned to Paris, but there is small fear in France that the conservative program

of the Chautemps government will be in much danger during the session. Financial problems are still a worry, but French business authorities do not anticipate that they will come to a head in the near future. France is calm, and



European

GERMANY TURNS TO SYNTHETICS—Typical of the changes being wrought in German industry by the four-year self-sufficiency program is the new German method of making tropical helmets. Helmets made of cork have long been a popular export item to many countries with whom Germany trades. No longer having currency with which to import raw cork, German manufacturers turned to chemically-treated waste paper as a suitable substitute. Lighter in weight, the paper helmets are proving a better export item than the ones made of cork.

business is slowly recovering confidence in the government.

France is preparing to repay in December the £40,000,000 loan made by the British as a short-term credit to the French railroads. The franc is strong. Industrial production in September touched 96, compared with 91 in August, but is bound to react if the recession in the United States is prolonged or intensified.

Carloadings are the most sensitive barometer available of industrial activity in France. For the latest week they show a small decline from the previous total, and from the corresponding figure for last year. The number of registered unemployed also showed a slight gain over the previous week, but is still well below the total for this time last year.

Prices—both wholesale and retail—are beginning to decline. The wholesale index has dropped to 611 from 618 in September. In the same period the retail index fell from 657 to 642.

The Spanish affair is approaching a windup, according to French opinion.

Franco's offensive is expected, before the end of the month, to move against Almeria, and along the Pyrenees where the rebels hope to cut off supplies being run in to the Loyalists. Then, if both sides are recognized as belligerents, the rebels will proceed to blockade the ports of the Loyalists and starve them out.

British influence is gaining the upper hand in Spain. Franco, in an interview, declared that he is willing to set on the throne the third son of Alphonso, who is pro-British and is now serving in the British navy. Franco also declares that he is eager to maintain friendly relations with England and France.

Germany

Low-grade steel project gets under way; will increase German capacity 30%. Labor shortage forces women back into industry.

BERLIN (Cable)—Prevailing business sentiment here is that any real world economic recovery is unthinkable without some improvement in the political atmosphere.

Particular importance, therefore, is attached to the negotiations in Berlin between Lord Halifax and high Nazi officials, and in the continued efforts to find some solution to the Far Eastern problem.

Construction work on the first plant of the Herman Goering works in the Salzgitter district near the Harz mountains is now in full swing, though the first pig iron from low-grade German ores—which it is a part of the Four-Year Plan to exploit—is not expected before 1940 when the present steel shortage may be over.

The Deutsche Bank's monthly economic review lifts the veil of secrecy which has surrounded this scheme until recently by divulging that the planned capacity of the three projected steel plants in the new project to make Germany wholly self-sufficient is 6,000,000 tons, compared with present German production of 20,000,000 tons. (United States steel capacity is about 70,000,000 tons; the Soviet Union is building toward a "planned" capacity of 40,000,000 tons at the end of the third Five-Year Plan in 1942.)

The labor shortage remains a principal restricting factor for most ambitious projects under the Four-Year Plan, and may even necessitate slowing down of the present pace of construction on super motor highways. Significantly, the necessity to mobilize all labor reserves has led, during the last few months, to the industrial re-employment of nearly 500,000 women, thus scrapping another fundamental principle of Nazi ideology.

Money and the Markets

Congressional action on tax relief isn't immediate, so securities markets get little sustenance, especially as steel operating rate declines. But commodities are steadier and grains rise.

No matter how well-intentioned Congress may be, business knows that little of a constructive nature is to be expected in the near future. The customary jumble of legislation already is apparent, and results are remote. Thus it was that securities markets did not at once boil over with enthusiasm for the President's message on the state of the nation, a message which was conceived as a harbinger of hope.

The President's report came on Monday. It contained a little which he had not mentioned in his call for the special session, mainly further recommendations for tax revision. Yet such tax revision talk has filled the air and the press for weeks. Congress won't get the subject threshed out for a long time. All in all, there was little in the week's news from Washington for the bulls to get their teeth into.

Steel Operations Drop

Besides, Monday was "steel day"—the day that the official figures on operations of the steel industry are made public. Traders were reconciled this week to the fact that the news would be pessimistic. They only hoped it wouldn't be too bad, and that it might be outweighed by something which the President would say.

When the American Iron and Steel

Institute estimated operations at 36.4%, however, it was worse than anticipated. The steel ingot rate dropped from above 93% of capacity in May to 67.3% in Mid-July. It rallied briefly to 85% early in August, and since has gone down without major interruption to its present level. And the current level, with the exception of the week including the July 4 holiday in 1935, is the lowest since the end of 1934.

Stocks Shake Off Blues

Even under these circumstances, stocks developed no very acute weakness except in the last couple of hours Monday afternoon. In the previous three weeks, Monday's disquieting steel news had been ignored, and this week the moment of distress was brief. By midday Tuesday, the market had not only regained its composure but had rallied from the lows. Wednesday's trading was quiet with prices backing and filling aimlessly.

Traders, harassed by the dramatic swings of recent weeks, welcomed the respite of a quieter market (even though it may bring to the fore once again that almost forgotten controversy over higher commission rates on shares). Dullness which lasts for any length of time would at least mean that the irrepressible urge to sell stocks has

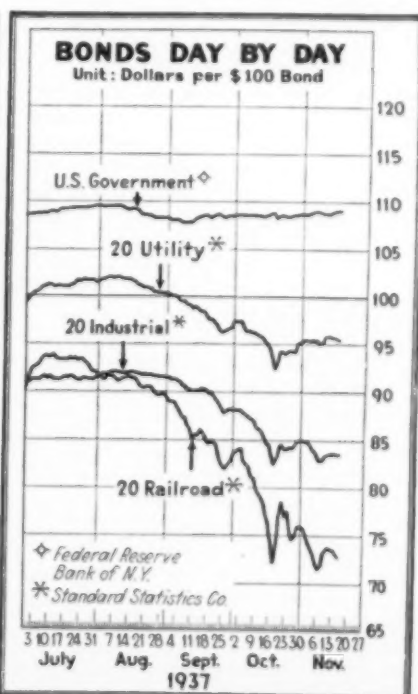
Earning Power's Value

The old stock market rule-of-thumb, the price-earnings ratio, has meant little in recent weeks. Prophets of doom don't seem to recognize that there still are earnings to evaluate. Many stocks look like orphans, but a few of the old favorites have not lost all their friends. The following tabulation groups a representative list of stocks, picked at random, and compares prices with the earnings for the nine months ended Sept. 30 (ignoring fourth quarter prospects altogether):

	9 Months' Earnings	Recent Price	Price Earnings Ratio
Allis Chalmers	\$3.83	48	12.5
Anaconda Copper	3.11	30	9.6
Bethlehem Steel	6.88	53	7.7
Briggs Mfg.	3.95	25	6.3
Chrysler	9.29	65	7.0
Coca Cola	4.76	115	24.2
Commercial Credit	5.62	42	7.5
Du Pont	5.33	114	21.4
Elec. Auto Lite	2.64	22	8.3
General Foods	1.86	30	16.1
General Motors	3.46	38	11.0
Hershey Chocolate	3.29	48	14.6
Int'l Bus. Mach's	8.47	136	16.1
Int'l Nickel	2.57	43	16.7
Johns Manville	4.94	83	16.8
Libbey-Owens-Ford	3.53	43	12.2
Pullman, Inc.	2.75	30	10.9
Standard Brands	0.60	8 1/2	14.2
Sid. Oil of Cal.	2.39	31	13.0
Union Carbide	3.42	71	20.8
U. S. Gypsum	3.73	63	17.4
U. S. Steel	8.78	58	6.6

subsidized. It would lay the groundwork for a new rise, if and when any spark in the news were to set it off.

There is no such spark in sight now, it is true. Washington might provide it, but Wall Street continues to be divided in its opinion on that score. Some further adipose dividend declara-



The Federal Reserve Makes Some Fine Distinctions

These Can Have Savings Accounts
Bar, medical, dental associations, etc.
Trade associations, chambers of commerce.

Rotary, Kiwanis, and other business men's clubs.

Golf, tennis and other recreational clubs.

Luncheon clubs, college fraternities, and social orders.

Labor unions of the usual type.

Volunteer fire companies and ladies' auxiliaries.

Cemetery associations.

School districts.

Police or firemen's pension or relief associations (including a special fund held by a political subdivision to provide pensions for police or firemen).

American Automobile Association, Retired Officers Association, etc.

These Cannot—in Member Banks
Building and loan associations.

Mutual or cooperative fire or life insurance associations.

Reciprocal or inter-insurance associations.

Cooperative marketing associations, such as citrus growers, or dairymen's cooperative marketing organizations.

Credit unions, federal or state.

States and municipalities, and other political units (except school districts), including departments, boards, and commissions of such political units.

tions—to soften the shock of the undistributed earnings tax—still are anticipated, but much of the best dividend news has been heard.

It is certain that year-end dividends have not been the boon to Christmas trade this year that they were last. Yet holiday business may, when returns are counted, surprise the pessimists. Stores are getting the shopping rush earlier than usual in metropolitan centers. In New York, for example, stores were jammed this week before advertising of yule merchandise was even begun.

Commodity prices this week were distinctly steadier and the grain markets lent considerable encouragement. Wheat was the outstanding leader, running up on reports of frost in the Argentine.

Wheat made its best gain in weeks on Wednesday, running up the limit of 5¢ a bu. This move detracted public attention from the Chicago Board of Trade investigating committee's report that Cargill Grain Co. disobeyed orders of the Board in the recent corn squeeze (BW—Sep 25 '37, p16). Hearings on the charges will be held by the Board of Trade's directors next month.

Rules on Passbooks

Reserve Board decides what kind of organization can have a savings account.

WHAT is a non-profit organization? A credit union, no; a labor union, yes. A political subdivision, such as a city, no; a cemetery association, yes.

Those are some of the fine distinctions drawn by the Board of Governors of the Federal Reserve System (see tabulation above). The occasion was to define what types of organizations might maintain savings deposits

evidence by passbook in a Federal Reserve member bank.

Regulation Q reads that savings deposits may be maintained by a "corporation, association, or other organization operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes and not operated for profit." To clarify that the board enumerated types of organizations which are and are not operated for profit.

Thus, a member bank may issue a savings bank passbook to the American Automobile Association, but is forbidden to issue one to a building and loan association, or a mutual insurance company. A Rotary Club passes muster, and so does a school district, but not a dairymen's cooperative.

In its practical effect, this classification permits certain organizations, which the board regards as religious, charitable, fraternal, educational or philanthropic, to have a savings account in a member bank, subject to passbook, and this means that they can obtain interest on what virtually amounts to a demand deposit—because few banks require notice of withdrawal on savings accounts, even though they have 30- to 60-day rules.

But organizations which are considered to be operating for profit can obtain interest by making time deposits. As far as reserves of member banks go, reserve requirements at 6% are the same for both savings and time deposits, so that the classification in that respect makes no great difference to the member banks.

Nonconformist—In these days when Washington's recovery formula is for private industry to spend till it hurts, Alabama Power Co. is a little standoffish. This company, which is a party to the

current suit seeking to invalidate sale of electricity by the Tennessee Valley Authority, is a subsidiary of the Commonwealth & Southern Corp. And it can't see the idea of spending under present circumstances.

For the year 1938, Alabama Power announces a budget of capital expenditures totaling \$4,000,000. That's a million dollars short of the actual outlay for 1937, Thomas W. Martin, president, explains. More significant, it is less than half of the \$9,000,000 that the company would spend in 1938 if it were not for the federal TVA and other power plans.

Mr. Martin goes on to point out that Alabama Power's expenditures for the last five years have run 79% under normal expectations—a deficiency of \$43,000,000 in all. While part of that lag is attributable to the depression, the major factor has been TVA.

Utility Truce?—Whether it is to be peace or war between the government and the utilities, in the interest of prosperity, is still a question which is very much up in the air. President Roosevelt told a press conference last week (BW—Nov 13 '37, p77) that the Administration could get along with the power companies if they would agree to valuation of properties for rate-making purposes on the "prudent investment" basis.

The prudent investment theory is, in the main, the old "original cost" idea in modern dress. It is also the "historical cost of the property" idea. It isn't the theory on which the public service companies have been sustained in the courts for four decades—the cost



TOBACCO MONEY—North Carolina farmers wear broad grins in these days as their record tobacco crop is being marketed at eminently satisfactory prices.

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Business Week
North Carolina
in these days
crop is being
factory prices.

of reproduction theory—but the utilities might accept it at the present time.

Many power companies feel that, right now, the cost of reproduction and the original cost of the properties are not far enough apart to cause any great trouble. However, the attitudes of the public service companies and the governmental rate adjusters vary with the cost of building. If building costs are very high, the public service commissions want to base rates on the original cost of the properties rather than on reproduction costs. If the cost of building at any time is very low, they can force lower rates by working on a valuation reached by cost-of-reproduction methods.

What the utilities want more than anything else is an agreement that they know will remain in force indefinitely, and one which the courts will sustain. That is more a matter of the government's good faith than it is of method, and utility executives, in private, still question Washington's good faith.

Lack of confidence thus may be expected to impede any agreement which will make bosom buddies of utility executives and the New Deal yardstickers. And lack of confidence for some time is likely to restrict utility capital expenditures.

Metal Statistics—Consumption of copper and zinc in the United States fell off quite sharply again in October. According to the latest reports of the Zinc and Copper institutes, deliveries of both metals to consuming industries hit the lowest levels in well over a year.

There are some facts, however, which don't appear at once from the figures. Statistics for deliveries are those regarded as measuring consumption. However, fabricators sometimes buy ahead, in which case deliveries exceed actual consumption, as was the case earlier this year. At other times, manufacturers draw on accumulated metal inventories; then deliveries are short of actual consumption, as is probably the case now.

Nevertheless, October apparent consumption of copper at only 44,592 tons makes a shabby showing compared with September's 66,230 and with April's peak of 95,884. Production of refined copper in the United States in October is put at 86,811 tons, nearly double deliveries, so that refined stocks mounted to 181,842 tons at the end of the month. This is the highest since Sept. 30, 1936, but still isn't much over three months' normal supply. It would have been only two months' supply at the rate consuming industries were scrambling to buy early this year.

The figure for zinc shipments in October was 40,345 tons. That compares with 47,737 in September and a high of 59,635 last March. Domestic production outstripped deliveries, totaling 52,645 tons, and supplies on hand rose to 25,817 tons. These supplies, being



Business Week

Bay Bridge—Plus Promotion—Builds Oakland Business

A year and a week ago the world's greatest bridge was opened to traffic, connecting San Francisco and Oakland, Cal. One purpose of the bridge was to stimulate industrial development in Oakland, and the distribution structure at the Oakland end of the bridge (shown in the foreground) was designed to facilitate transportation of raw materials and finished products. Now figures show that industrial expansion in Metropolitan Oakland has exceeded \$8,500,000 since Jan. 1. Not all of this can be credited to the bridge. Part credit must go to a vigorous promotion campaign waged this year to attract branch plants of national concerns to the area. This, in turn, is typical of promotion being done all along the coast. Since the war, branch plants have furnished upwards of 25% of all capital invested in new factories and expansions in California, Washington, and Oregon, and coast cities are planning for more and better self-selling.

still well under a month's requirements, are very short, though they are twice what they were three months ago.

The whole story in zinc is not told by domestic figures. Trade sources estimate that 14,000 tons of the metal were imported last month. If that is added to reported domestic deliveries, apparent consumption topped 54,000 tons, which still is a respectable figure. Fears of a shortage have been pretty well banished.

Margin Traders—Those who buy stocks on margin complained long and bitterly about the Federal Reserve's rule which, until recently, required them to put up 55% of the market value of securities purchased. They also resented the fact that the moment the stock's value dropped below the original price, their account became "restricted." They felt that, putting up this fat 55% in the first place, the freezing point should be lower.

Nevertheless, whenever the value of their collateral dropped below the purchase price, their accounts became immobile. They couldn't buy more securities without putting up full 55% margin, and they couldn't draw cash out of the accounts. (Since the recent cut in margins to 40%, the freezing point has been correspondingly reduced.)

From time to time it has been noted that many margin accounts must be

frozen, but it was only recently that figures became available to measure that situation. The Securities and Exchange Commission started, by a sort of sampler survey, to present the facts. As of Sept. 20, it reported that 47.1% of all margin accounts carried by 19 New York Stock Exchange houses were under ice.

There still are no data, of course, to indicate how many of the restricted accounts are about to be called for more margin or to be sold out. The stock exchange house doesn't have to call for more money until the margin is down to 30% of what the broker has loaned the customer. But the SEC's figures do show how many customers of these 19 houses were sold out or quit voluntarily between Sept. 20 and Oct. 26.

On Oct. 26, these 19 houses had 48,000 accounts of which 18,962 were restricted. On Sept. 20, they had had 54,733 accounts of which 25,792 were restricted. Thus the number of accounts was reduced 6,733, and the number of restricted accounts dropped 6,830. These figures seem to indicate that 6,733 traders in the restricted zone went the take-your-loss-and-go-home route while a mere 97 were willing to put up enough money to get out of the restricted category. Available facts create the impression that many of the 6,733 who got out of the market were sold out. Also that few who put up 55% in the first

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place had any money left to put into the stock market in time of stress.

When the next SEC report comes out, it will reflect the reduction in margin requirements from 55% to 40% on Nov. 1. That revision alone was enough to lift a few margin accounts out of the restricted class. In combination with the moderate recovery in stock prices, it should have helped quite a few borderline cases.

Banks on the Air—After careful study, the American Bankers Association announced last year that it was ready to help local banks' public relations campaigns by preparing radio material for them (*BW*—Sep 19'36, p1). At that time banks were asked to get in touch with the association if they were interested. The A.B.A. was prepared to go ahead if enough banks desired the service.

In the 14 months which have elapsed, local banks have told the A.B.A. headquarters that radio should be utilized and have vouchsafed their ideas on how best to use it. Out of this study has grown a series of 52 recordings, each a 15-minute radio program complete in everything but the sponsoring bank's "commercial."

The A.B.A. explains that most banks felt that 15 minutes was the right amount of time and that the programs should be recorded on discs. They expressed a preference for good music and interesting dramatizations. In line with those preferences, the A.B.A. recordings constitute programs of light classical music and human interest playlets built around various banking services. In the playlets, an effort is made to present dramatically incidents involving the intelligent counsel of Banker John Sterling who helps his friends and neighbors by explaining and making available to them

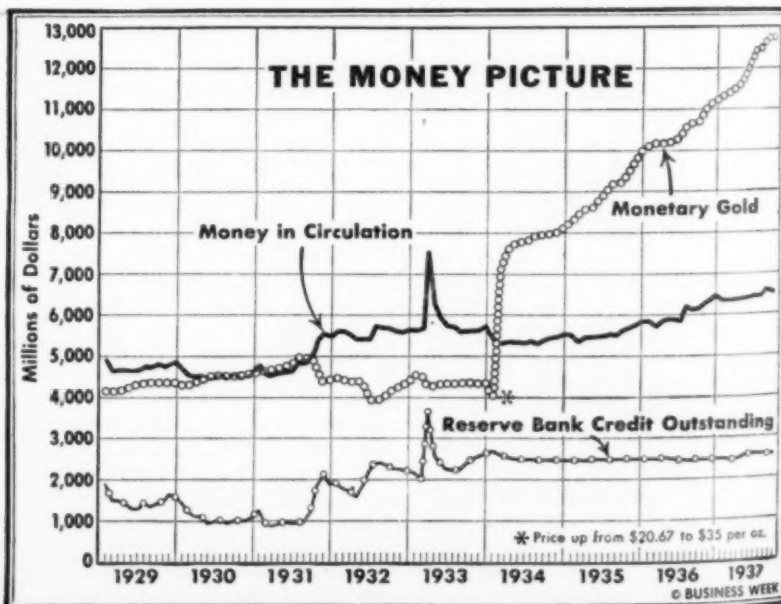
his bank's services. The programs have been devised for small as well as large institutions.

Credit Policies—The Federal Reserve's announced policy of increasing available credit to help holiday trade (*BW*—Nov 6'37, p65) has not been long in going into effect. In the week ended Nov. 10, the 12 Federal Reserve banks bought \$10,400,000 of Treasury bills. The effect of this is to put more money in the tills of banks where it can be loaned out to trade and industry.

As previously pointed out in these columns, the Reserve announced long in advance that it would take such credit-loosening action to make sure that there was no holiday money pinch. The reason for paving the way was to ward off criticism on the grounds that the central banks were suddenly "needing" business. But the action, though not sudden, comes at a time when business needs the needle, and so criticism has already arisen from those who object to a needling policy in emergencies, and who object the louder the more the needling seems needed.

Washington reports are that the Federal Reserve now plans to buy more bills than it had intended at first to take. Observers contend that the first week's purchases of \$10,400,000 were larger than indicated requirements for money. The talk will be, if more than about \$100,000,000 is released this way, that the Reserve is coddling both business and the stock market.

Incidentally, in the week ended Nov. 10, business increased its borrowing after three weeks of consecutive decline (*BW*—Nov 13'37, p75). The latest report of member banks in 101 cities shows a gain of \$19,000,000, evenly distributed over the country.



Editorially Speaking—

Only 35 days to Christmas. And the Gentleman Down the Hall went to a department store last Wednesday, to order Christmas cards, and there he saw this sign:

Personalized Christmas Cards
50 for \$1.00
24 Styles from which to Choose
Every Kind of Sentiment
(Except Religious)

THE government tried to have jigsaw puzzles defined as games and subjected to the 10% tax on sporting goods, but the Supreme Court said no. We're much relieved, because the next thing might have been to classify the annual income-tax puzzle as a game, and make the taxpayer pay 10% extra for the thrilling sport he enjoys.

THE *Oriental Economist* is a monthly magazine published in Tokyo by Japanese. In the September issue of its English edition there is a short comment on business conditions in China: "Apparently no data have thus far been published on Shanghai's wholesale prices and foreign trade owing to the incident."

Just like that—incident. No capitals, no quotation marks, no explanation of what particular incident or even which general kind of incident. Nothing of this sort is necessary, because "incident," in the modern lexicon of militarist diplomacy, has stopped meaning what it used to mean. All it means now is war. Do you happen to remember the Great Incident of 1914-18, sometimes called the World Incident?

MISS HELEN K. McCORMACK of the University of Chicago school of business made a survey of 2,000 Kansas City school children to learn their attitudes to money and money-making. It turned out that students from the high-income group knew more about money than the rest did. Among other things, they knew the feel of it.

GABRIELE D'ANNUNZIO has been a sensationalist and humorless show-off during all his 74 years—as a writer, great lover, aviator, and frenetic prophet of Italian imperialism. Three years ago he began telling the world where he wanted to die. First he chose the oldest of the Roman catacombs. Then he decided that a better place would be a condemned submarine in the depths of the Mediterranean. Next he wanted to die up in the air somewhere. Now he announces that he has asked Gen. Valle (undersecretary for air) "to pilot me to the North Pole when I feel death approaching and to leave me on the ice to die." And just in case some pearls should come along to accelerate the process, he has prepared "many

small bright jars of honey" to distract their attention and engage their appetites.

Such is the latest of d'Annunzio's startling programs. Some day he may startle himself by dying in bed.

A FEDERAL judge has decided that public policy forbids the payment of a man's insurance to his widow, who murdered him. This decision is an outrage, a blow to initiative. It discourages ambitious wives from becoming self-made widows.

WE'RE fascinated by the behavior of that robber who invaded a California ranchhouse and, after his left hand was slashed off by the sword-wielding ranchman, bent over and picked the hand up and stuffed it into a pocket, and then went on fighting fiercely till he was shot to death. Suppose it had been a whole arm that was slashed off, or a leg; something too big to stuff into a pocket. You can be sure the robber would have stooped down and snatched it up just the same, compelled by instinct to preserve what was his. But what would he have done with it then? Tucked it under his chin and gone on fighting? Or called time out till he could wrap it up properly?

GIRLS in Oklahoma City have organized the Society for the Prevention of Married Men Posing as Bachelors, and they argue that all married men should be forced to wear wedding rings. A girl who can be fooled by the absence of a wedding ring is acutely in need of experiential education.

THE buffalo we've bought from the Biological Survey didn't arrive till yesterday, and at the moment we're too exhausted to give a detailed account of the experience. Suffice it that we managed to get him into the freight elevator and up to the thirty-first floor, but the journey upward nearly scared him to death, and he began thrashing around so that we don't blame the elevator man for momentarily abandoning the controls. We ourselves were trying to climb up the ventilator.

Then at last the cage stopped at our floor and the elevator man pulled the door open in an anxious hurry and the buffalo charged out and through the hall and then back again, butting a few doors and knocking out several panes of frosted glass. With the help of an expert from the zoo, we finally calmed him down and coaxed him into our reception room, where we gave him detailed instructions on his duties as the *Business Week* mascot. But he's a stupid brute and we're a little doubtful of the experiment. A joke is all right but there's such a thing as carrying it too far.



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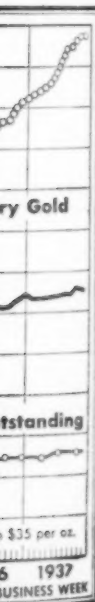
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BUSINESS WEEK

The Journal of Business News and Interpretation

NOVEMBER 20, 1937

Expecting Solid Help

Business already has the reassurance of knowing that Congress is in general sympathy with its problems and its hopes. The temper of Congress today is not what it was when the regular session adjourned in August, or even what it was when President Roosevelt in mid-October called the special session. In the interval the business picture has definitely changed, and Congress knows it. The members have returned to Washington with the intention of so adjusting the policies of government as to encourage business. And this intention is itself a strong encouragement.

Today Congress has recovered much of its former initiative and is no longer content to echo the President. While his special message reveals that he has somewhat moderated his attitude toward business, Congress seems ready to insist on even greater changes than he desires. The upshot will probably be a compromise. Congress will not go home till it has taken steps which it thinks will assure a renewed recovery.

The President's special message is mainly notable for the unfamiliar mildness of its tone. Of course a tone is not necessarily a sure portent of actions that harmonize with it; but what has caused this change of tone, this manner of arm-in-arm conciliation? Necessity has caused it; economic necessity, which is translatable into political necessity. And the same necessity can compel actions in consonance with the tone.

Of the President's legislative recommendations, those dealing with taxation have the most immediate importance. He consents to some modification of the undistributed earnings tax, though he does so guardedly, without calling that tax by its name. And he asserts that "modifications adequate to encourage productive enterprise, especially for the smaller businesses, must not extend to the point of using the corporate form for the purpose of hiding behind it to reduce or eliminate taxes in a way not open to an individual or partnership."

This statement indicates a continued reluctance to let corporations build up adequate reserves without paying a heavy tax penalty. But Congress seems likely to insist on its own say in this matter.

The President recommends, too, that small and average-sized businesses

should receive "special tax consideration," giving them a better chance to compete with their strong competitors. Vaguely he intimates that this help for smaller business will tie in with his anti-trust program, if he ever decides what the program is to be. Congress has more than once given special tax consideration to small corporations, and there is no reason why it should not do so again, provided it does not discriminate too harshly against large corporations. In a time like the present, we should beware of jeopardizing any business interest. If it has to cut down its payroll, the damage will spread to other groups, both large and small.

Apparently alluding to proposed modification of the capital gains tax, the President says, "Nor should we extend tax privileges to speculative profits on capital where the intent of the original risk was speculation rather than the actual development of productive enterprise." The President should define speculation. What is it? You speculate when you buy a plate of hash, and from there on everything in life is speculation. Every business enterprise is a hazard, a speculation. Buying real estate and putting up a building is certainly a hazardous enterprise.

There is no precise way of distinguishing capital gains on speculative enterprise from capital gains on other enterprise. The capital gains tax is injurious to business and it must therefore be modified.

Owen D. Young On Ickes' Argument

Sec. Ickes repeats the Administration's argument that the government should sell power incidentally generated by federal dams. But what of power that is not incidental? What of the spending of federal funds to build dams whose real purpose is not navi-

gation or irrigation or flood control but the generation of more power? And bad as this is, it is made worse when the government, instead of selling the power to the utilities, insists on distributing it itself to the consumers, and moreover refuses to buy the private distributing systems, but duplicates existing facilities and thus impairs the value of enormous private investments.

Owen D. Young, chairman of the General Electric Co., protests against this, notwithstanding that the duplication of facilities means more immediate sales by his company. "No great concern whose fortunes necessarily rise and fall with the welfare of the nation," he says, "can look with equanimity on waste, even though it might temporarily benefit from it." Nor should any government officials look with equanimity on waste, despite temporary political benefit.

Fascism and Our Monroe Doctrine

Brazil has gone Fascist and the United States has reason to be concerned. For the Brazilian coup was accomplished within a few days after Hitler and Mussolini and the Japanese concluded their triple military alliance for the seizure of more territory. That is what their alliance means. And Virginio Gayda, Mussolini's journalistic mouthpiece, quickly predicted that one of the countries that might soon join the alliance was Brazil. Two days later Vargas, the Brazilian dictator, proclaimed a "corporate" state—in other words, Fascism, regardless of what he calls it.

The United States, under the Monroe Doctrine, refuses to let any Old World power seize New World territory. Now Brazil, a country with an area larger than ours, a country with the largest area in South America and with more than half the population of that great continent, goes Fascist and shows sympathy for a European and Asiatic military alliance. Two-fifths of Brazil's population is from Old World Fascist countries. While the United States should not interfere in Brazil's internal affairs, its own safety requires that it stand alert to maintain the Monroe Doctrine—no Old World domination of the New!

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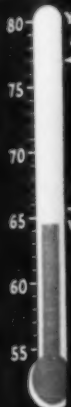
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